



PETRON

2015 Annual Report & Accounts
Petron Malaysia Refining & Marketing Bhd (3927-V)

Bringing Great Moments
Together





The Petron Malaysia Group is part of Petron Corporation in the Philippines, an emerging and rapidly evolving Asian oil company.

Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron subsidiaries in Malaysia comprise of Petron Malaysia Refining & Marketing Bhd, a public company listed on Main Board of Bursa Malaysia Securities Berhad, Petron Fuel International Sdn. Bhd., and Petron Oil (M) Sdn. Bhd.

Petron Malaysia Refining & Marketing Bhd operates Petron Port Dickson Refinery (PDR), which has a rated

capacity of 88,000 barrels per day, producing a wide range of petroleum products which include gasoline, diesel, liquefied petroleum gas (LPG), industrial and commercial fuels, and aviation fuel. Our world-class fuels are distributed from eight strategically-located depots and terminals of Petron subsidiaries in Malaysia.

Through this robust distribution network, we are able to ensure a continuous and reliable supply of quality fuels to our various customers.

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of more than 560 service stations nationwide, including stations that are of our sister companies. We have completed the



rebranding and upgrading of 'Esso' and 'Mobil' stations across the country to reflect our new identity. More than just a makeover, our new Petron service stations, with its distinctive blue and red logo, embody what our brand stands for – innovative products, excellent service, successful partnerships built on trust, and caring for our customers.

We are proud to be part of your lives as we fuel safe journeys with our top-of-the line fuels, Blaze 95RON, Blaze 97RON Euro 4M, and Diesel Max. Beyond just being a petrol station, Petron service stations also provide a one-stop service experience to travelers on the road. Our convenience store Treats offers amenities such as shopping marts and fast food restaurants.

Petron's premier LPG brand, Petron Gasul provides efficient energy for the Malaysian households. We help power the Malaysian economy by providing commercial fuels to key industries.

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment, and education programs to ensure sustainability and contribute to social development. Through the combined experience and expertise of our highly-skilled and motivated management and personnel, and our strong foundations in the oil & gas industry, we are dedicated and passionate about our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.



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OUR VISION

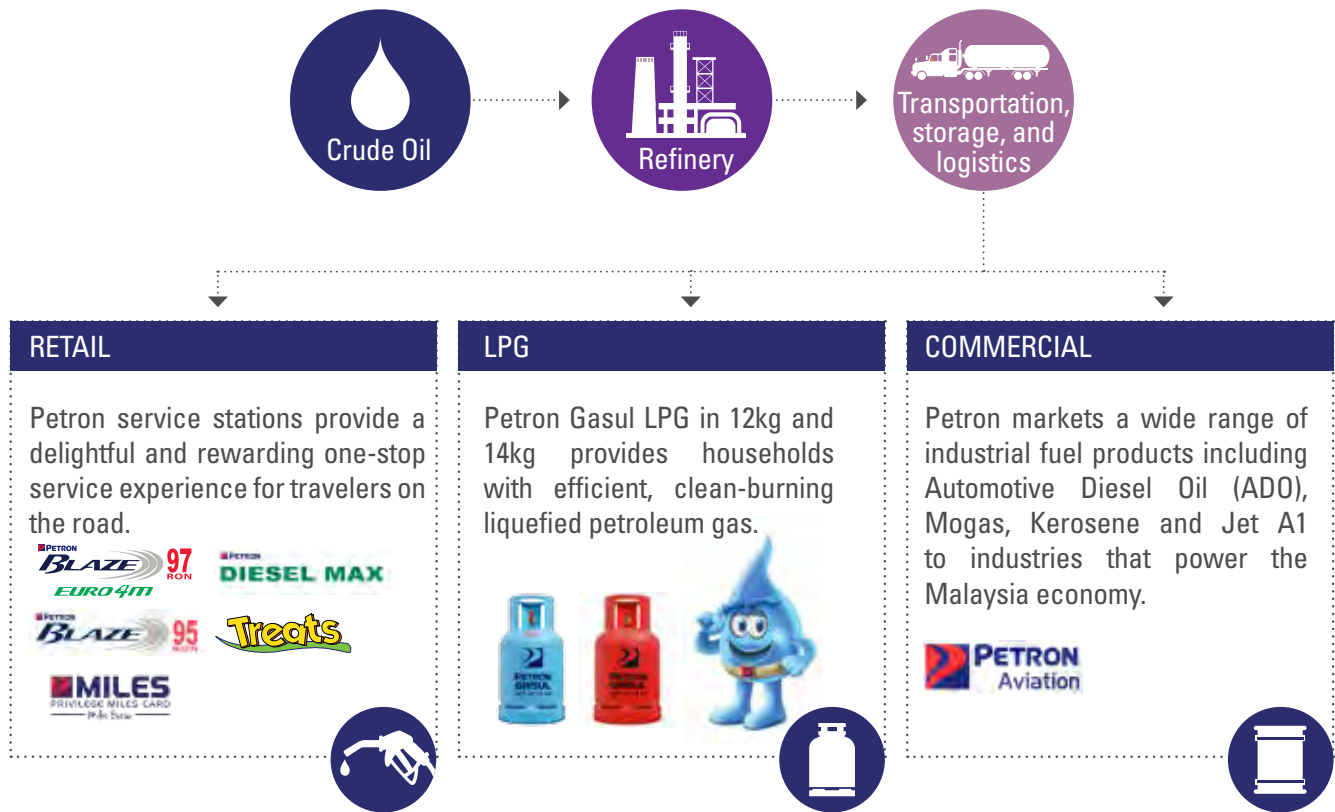
To be the leading provider of total customer solutions in the oil sector and its allied businesses.

OUR MISSION

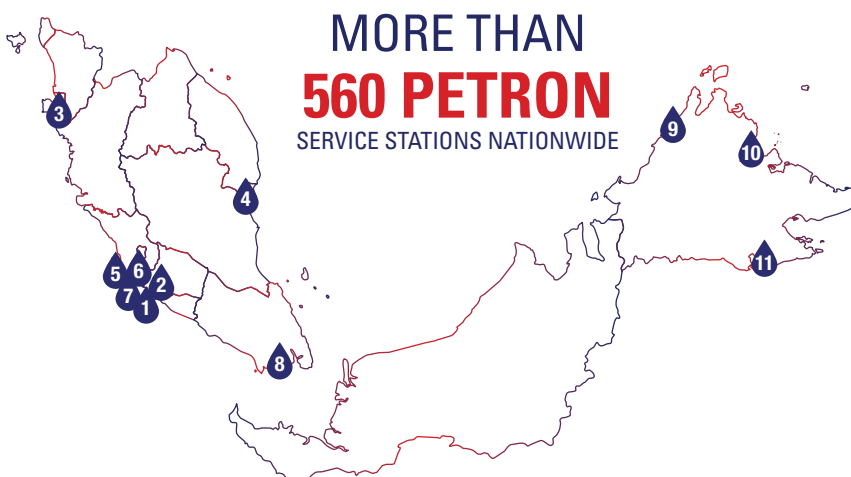
We will achieve this by:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services;
- Developing strategic partnerships in pursuit of growth opportunities;
- Fostering an entrepreneurial culture that encourages teamwork, innovation, and excellence;
- Acting with professionalism, integrity, and fairness at all times;
- Adhering to the strictest safety and environmental standards; and
- Promoting the best interests of all our stakeholders, and caring for our community.

HOW PETRON REACHES YOU



OUR FACILITIES IN MALAYSIA

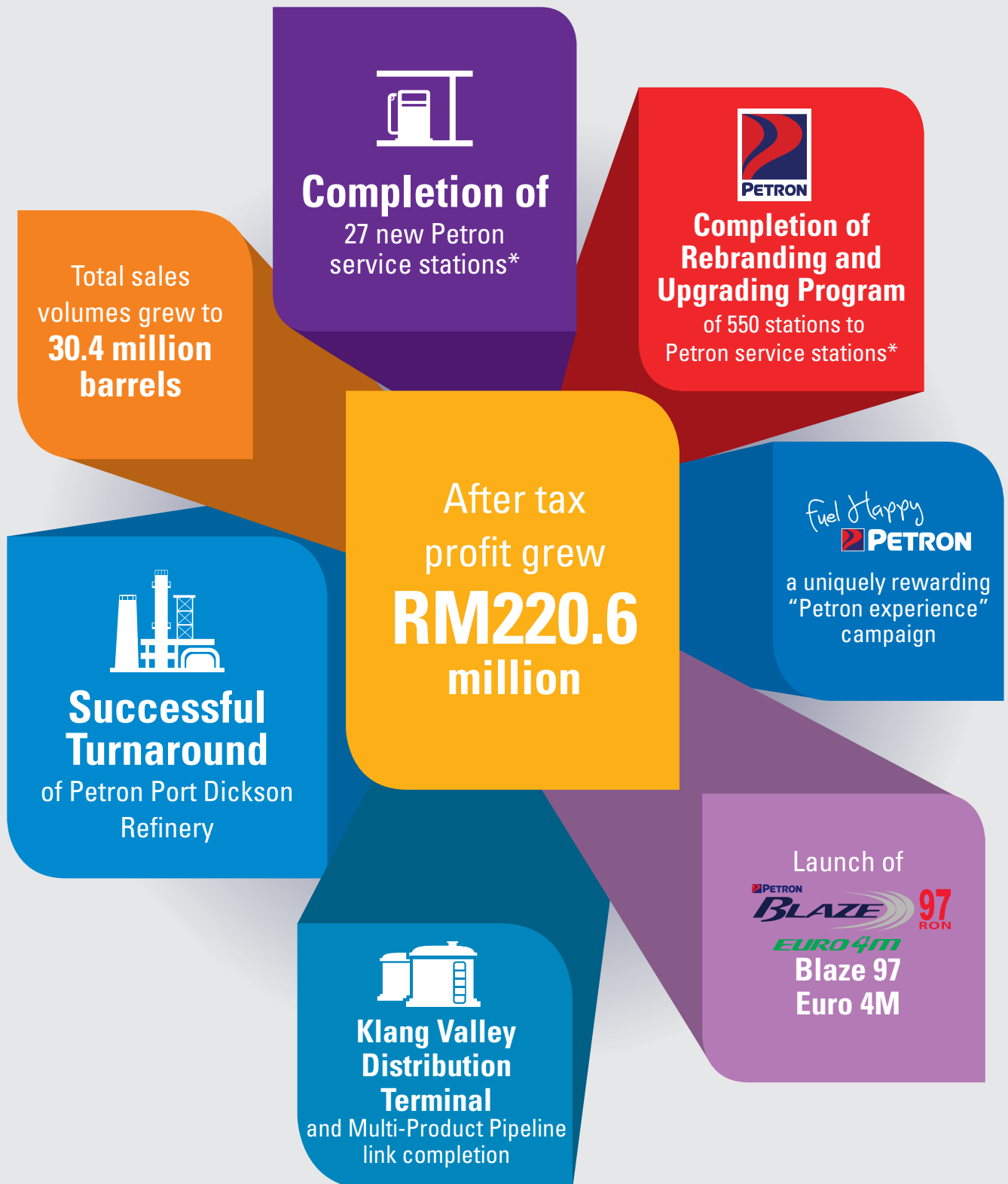


1. Port Dickson Refinery, Negeri Sembilan
2. Port Dickson Terminal, Negeri Sembilan
3. Bagan Luar Terminal, Penang
4. Kuantan Terminal, Pahang*
5. Westport Terminal (JV-BHP), Selangor*
6. KLIA Aviation Facility (JV-Petronas/Shell), Kuala Lumpur
7. Klang Valley Distribution Terminal (JV-Petronas/Shell)
8. Pasir Gudang Terminal (JV-Caltex), Johor*
9. Sepanggar Bay Terminal, Sabah*
10. Sandakan Terminal, Sabah*
11. Tawau Terminal, Sabah*

* PMRMB affiliate terminals

GREAT MOMENTS IN 2015

FACTS AT A GLANCE



*PMRMB and sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

By any measure, 2015 was a disruptive one for the global oil and gas industry. You only had to read the headlines on the continued drop in oil prices and its effect on economies, industries, and companies to appreciate the level of disruption this new scenario of lower-priced oil presents to companies like Petron Malaysia. The glut in global inventories and a slowing world economy resulted in the collapse in Brent crude, the global benchmark, from US\$63 per barrel in December 2014 to an 11-year low of US\$38 per barrel by the end of 2015. With the global oil market oversupplied by roughly 1.8 million barrels a day, many oil companies were forced to rethink and restructure their operations.

Ramon S. Ang
Chairman



MESSAGE TO SHAREHOLDERS

At Petron Malaysia Refining & Marketing Bhd (PMRMB), this disruption has created challenges as well as opportunities. In the last year, we have focused on growing our business by putting in place strategic projects that we believe will, in the short-term, help us ride out current market realities, and in the long-term, strengthen our business in order to compete in an ever-increasing volatile industry.

Last year saw the culmination of initiatives we began barely four years ago, when our parent company Petron Corporation made the bold decision to enter the Malaysian market. Our completed programs include the rebranding of service stations and facilities; retail network expansion and the introduction of new product lines; upgraded and modernized logistics and refinery capabilities, and lastly, the setting up of a more focused risk management program. These strategic programs bring us closer to our vision of becoming the leading provider of total customer solutions in the Malaysian oil sector and its allied businesses.

HIGH-OCTANE PERFORMANCE

The success of our strategic programs resulted in our strong operating and financial performance, and we are proud to say that Petron Malaysia bucked the industry trend of slowing growth and negative results.

Your company posted a net income of RM220.6 million in 2015, a strong turnaround from the RM64.5 million loss in 2014. Although 2015 revenues dropped 25% from RM10.9 billion to RM8.2 billion as a result of significantly lower oil prices, Petron Malaysia's sales volumes rose 4% to 30.4 million barrels. Operating income reached RM357.9 million last year, a significant improvement from 2014's operating loss of RM22.9 million.

Improved volumes were driven by growth in key sectors such as retail gasoline and commercial trade. We are happy to report that our products and services are gaining traction with motorists and industrial customers.

Our overall performance was also bolstered by our company's proactive, enterprise-wide risk management program, which helped us manage and mitigate our exposure to inventory losses and currency depreciation. While crude prices were lower, the differential versus finished product prices remained strong, which helped improve refining margins.

Because of our generally positive results, investor confidence in our company has remained strong. PETRONM stocks averaged RM4.40 per share in December 2015 compared to RM2.54 for the same period in 2014.

CUSTOMER IS KING

We pride ourselves in our ability to put our customers first.

In 2015, the Petron brand continued to be guided by this philosophy by introducing new, cutting-edge products and services. While we are in a commodity business, we like to believe we have helped change the rules of competition by our customer-centric focus. Consumer preferences change overnight and there is a growing interest in a wider variety of environment-friendly products and innovative ways of delivering those products.

Our commitment to deliver innovative fuels has resulted in the introduction of the more environment-friendly Blaze 97 Euro 4M in September 2015. This fuel takes the "Petron experience" to the next level by ensuring optimum engine performance and better mileage.

We delivered more value to customers by completing the rebranding and upgrading program for our 550 stations. With the completion of this project, Petron Malaysia enjoys the distinction of operating the country's newest service stations. Today, our stations are known for their bright lights, upgraded facilities, and the warm, friendly service we provide our customers.



PETRONM
SHARE PRICE ROSE
73% IN 2015

MESSAGE TO SHAREHOLDERS



27

NEW PETRON
SERVICE STATIONS
COMPLETED

To further ensure that our products and unique brand of service reach even more customers, PMRMB and its sister companies Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd., completed an additional 27 new stations across the country, with several more in various stages of construction.

Finally, despite being the newest oil player in Malaysia, we have already earned a spot among the Top Consumers' Choice brands for fuel and lubricant products last year, with our Silver award from the prestigious Putra Brand Awards.

TRUE AND REWARDING PARTNERSHIPS

At Petron, we believe that our success depends greatly on our ability to build strong relationships with all customers. We do this by understanding their unique needs and doing our best to provide for those needs.

As such, our company is fast becoming the preferred partner of many industries that drive the Malaysian economy. Our fuels are now used by international and domestic airlines, as well as power-generation and manufacturing facilities. Our commercial sector is capitalizing on this growth, and we hope to tap more new customers this year.

In June last year, we started serving the fishing industry. By entering this vital sector, we are able to grow our wholesale diesel business.

Our Petron Gasul brand has likewise gained a significant foothold in the LPG market, as seen by its strong sales in 2015. Gasul is now used in more Malaysian homes and restaurants, providing safety and convenience for a growing number of consumers.

Our Port Dickson Refinery (PDR) and terminals adhere to international safety, security and environmental standards. We continue to produce high-quality products and deliver them in a safe and reliable manner.

As a result, our commercial sales volumes have surged by 18% overall in 2015, with all sectors registering significant growth.

ADHERING TO HIGH OPERATIONAL STANDARDS

Our Port Dickson Refinery (PDR) and terminals adhere to international safety, security, and environmental standards. We continue to produce high-quality products and deliver them in a safe and reliable manner.

In order to meet increased demand for our products, we have bulked up our own logistics capabilities. We completed our Multi-Product Pipeline, linking PDR to the Klang Valley Distribution Terminal, enhancing supply to this high demand center in a more cost-efficient and reliable manner. We also successfully built two storage tanks at PDR to enhance operating efficiencies by reducing turnaround times.

SUSTAINABILITY: THE WAY WE DO BUSINESS

With the continued success of our business, we are able to play a more significant role in nation-building through our corporate social responsibility and sustainability initiatives.

At Petron, we believe that our success depends greatly on our ability to build strong relationships with all customers. We do this by understanding their unique needs and doing our best to provide for those needs.

MESSAGE TO SHAREHOLDERS

With the continued success of our business, we are able to play a more significant role in nation-building through our corporate social responsibility and sustainability initiatives.

More specifically, we have made a deliberate effort to further push our core advocacies such as education, road safety, and environmental preservation.

In the area of education and sports development, we provided young Malaysians the opportunity to participate in events such as the "Majlis Anugerah Insan Terbilang Negeri Sembilan". We also provided over 700 talented artists a venue to promote the national identity through their art via the Vision Petron Art & Painting Competition. We also engaged students from Universiti Sains Malaysia to promote road safety and safe riding.

Our efforts to minimize our environmental footprints have resulted in measurable and tangible benefits to our operations. More specifically, we reduced water consumption and emissions at PDR through recycling and by developing ways to make our operations more efficient.

Our ability to execute on these programs is anchored on our employees' desire to make a difference. As such, in 2015, we established the Volunteerism in Action (VIA) employee engagement program. We believe that through our colleagues, we can enhance the ways by which we can contribute to building a better, stronger nation.

BOARD MATTERS

Your Directors' attendance and participation in all Board and committee meetings in 2015 were exemplary. Each member of the Board possesses extensive knowledge and experience in business and governance. Furthermore, all Directors received high ratings in the annual evaluation exercise conducted by the nominating committee, which is a testament to their integrity and professionalism.

THE JOURNEY AHEAD

Moving forward, we are working to develop more innovative products and services. At the same time, we continue to enhance operational efficiencies and inventory management, so we can sustain our growth momentum. With the support of our shareholders and business partners, we are confident we can achieve our business goals.

Our journey is far from complete, but we are confident and upbeat about our overall prospects. We aim to deliver more milestones and achievements in the coming years. More importantly, we are committed to serving our customers to get more out of life through our products and services. We strive to bring them great moments together with family and friends.

Terima kasih!



Ramon S. Ang
Chairman
28 April 2016

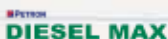


SILVER AWARD
IN PUTRA BRAND
AWARDS 2015



 8.30 am

For pleasant journeys.



Petron places a premium on customer satisfaction, innovative products and services, and rewarding relationships. All Petron service stations offer customers personalized services such as the cleaning of windshields and tire shine for convenient and relaxing journeys. Friendly and well-trained service attendants are ready to assist motorists, even during emergencies as Petron stations are "Go-To Safety Points". More than this, each customer patronizing Petron service stations will receive a "Fuel Happy" surprise treat every week of the month.



BRINGING GREAT MOMENTS TOGETHER

The success of our innovative gasoline products helped significantly increase our retail gasoline sales.



FUELING HAPPY JOURNEYS

2015 was an exceptional year for Petron Malaysia Refining & Marketing Bhd (PMRMB). Our robust financial performance was fueled by the growing strength and acceptance of our brand. As a result, we continued to grow and improve our market share despite stiff competition against oil players who have been in the market far longer.

Key to becoming the preferred brand is the unique “Petron experience”. Petron service stations have become a big part of the community, providing world-class products to fuel journeys, amenities that offer comfort and convenience, and even safety and security during emergencies.

To further highlight the Petron experience, we launched the Fuel Happy campaign in the first quarter of 2015. Fuel Happy is about sharing great moments with our customers by elevating customer service at every touch point. We ensure this by giving them benefits such as extra mileage with our fuels, rewarding them with discounts and freebies, or extra services through our friendly attendants.

We took the lead in fuels technology with the introduction of a new gasoline product formulated for Malaysian motorists. The recently launched Blaze 97 Euro 4M is a high-performance fuel with a “Tri Activ” formula that delivers more power, more mileage, and more engine protection. Launched in September 2015, Blaze 97 Euro 4M reaffirms our commitment to deliver environment-friendly fuels.

The success of our retail programs was a result of strong collaboration and support from our Petron dealers. The strength in partnership coupled with our innovative gasoline products, significantly increase our retail gasoline sales compared to 2014.

Petron service stations have become a big part of the community, providing world-class products to fuel journeys, amenities that offer comfort and convenience, and even safety and security during emergencies.

BRINGING GREAT MOMENTS TOGETHER




**OVER
260**
TREATS
MARTS NATIONWIDE

Beyond fuels, we also offered exciting and satisfying rewards to our loyal customers. Our Petron Miles Privilege Card continues to gain traction with over 2 million users. Unique to the Petron Miles Privilege Card is that it allows users to avail of discounts and other privileges from merchant partners on top of earning points which they can use to redeem Petron fuels, items from our very own convenience store Treats, or from our rewards catalogue.

Similarly, our Petron Fleet Card (PFC) account base also grew, increasing by more than 20% in 2015, as more corporate customers saw the benefits of having greater control over their fuel expenses with PFC's advanced microchip technology. PFC, which is equipped with a real-time online tracking system, can also be programmed to set purchase limits, making it easier to monitor and budget fuel expenses. Users also get to accumulate points just like the Petron Miles Privilege Card.

As part of our goal to bring the Petron experience to more corners of Malaysia and create more great moments for customers, we added more stations to

complement the success of our rebranding and upgrading program. To achieve this, we intensified our dealer-partnership program and encouraged existing and aspiring entrepreneurs to be part of our growing family. Together with our sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd., we expanded our retail network by nearly 30 stations.

Meantime, we also expanded the number of our convenience store "Treats" in selected service stations to end the year with over 260 stores. Through Treats, we provide convenience since customers can make banking transactions through ATMs or buy anything from food, drinks, toiletries, or even motoring products before heading back to the road.

PFC, which is equipped with a real-time online tracking system, can also be programmed to set purchase limits, making it easier to monitor and budget fuel expenses.

BRINGING GREAT MOMENTS TOGETHER



On top of these initiatives, we remained steadfast in promoting safe journeys through our year-round Road Safety Program. Launched during travel seasons, we continued to educate motorists and university students on the use of seatbelts, headlights and helmets, and the importance of vehicle checks to ensure

road worthiness. We also partnered with Workshop on Wheels (WOW), the emergency roadside assistance provider of highway operator PLUS Malaysia Berhad to exclusively fuel WOW vehicles and ensure safer journeys.

We continued to reward our customers for their patronage and loyalty through our “Petron Customer Appreciation Day”. This event was held at 100 Petron service stations located in 10 states where customers and families enjoyed fun activities and games.

We also partnered with other leading companies to give our loyal customers greater rewards. In June 2015, we launched the “Double the Savings, Double the Benefits”, a partnership with hypermarket Tesco. The promotion offered a unique benefit to both Petron and Tesco customers by allowing them to save on groceries and fuel purchases every time they transact at Petron stations or Tesco hypermarkets.



**PETRON
FLEET CARD**
INCREASED
CARDHOLDER BASE

BRINGING GREAT MOMENTS TOGETHER



**OVER
2 MILLION
PETRON MILES
ACTIVE CARDHOLDERS**

We joined Malaysia Airlines' Enrich Card to launch the "Pump & Fly with Enrich" promotion where Petron Miles cardholders were given 50% more free Miles points with every Blaze 97 Euro 4M fuel purchase. The campaign, which ran from September to December 2015 saw 60 Petron Miles customers win a total of 3 million Enrich points.

Our strong dedication to service and innovation translated to fueling happy thousands of customers.

HELPING BUILD A STRONGER MALAYSIA

Beyond retail, we also cater to major industries, helping to build a better, more dynamic nation by providing reliable and steady supply of fuels to sectors such as transportation, manufacturing, construction, mining, agriculture, and power-generation.

Despite our relatively new presence in Malaysia, our quality fuels are well-known in the region and the positive experience

of our commercial accounts resonates in the market. This translates to additional commercial accounts year-on-year.

In 2015, for instance, we successfully tapped into a new trade, the fisheries sector serving the two major coastal states of Perak and Pahang. This helped grow our industrial trade.

Aviation continues to be a major market and we now have Malaysia Airlines and Air Asia as part of our growing list of business partners who trust Petron in carrying their passengers.

Despite our relatively new presence in Malaysia, our quality fuels are well known in the region and the positive experience of our commercial accounts resonates in the market.





2.00 pm

It's those touching
moments of togetherness.



We also cater to major industries, helping to build a better, more dynamic nation by providing reliable and steady supply of fuels to sectors such as transportation, manufacturing, construction, mining, agriculture, and power-generation.

BRINGING GREAT MOMENTS TOGETHER



SECURED NEW TRADE FISHERIES INDUSTRY

Meanwhile, we continued to bring more families together, sharing home-cooked meals as more households patronized Petron Gasul. Gasul is part of our successful rebranding strategy, expansion program, and efforts to grow our network of dealers and partners to reach more households.

All told, our commercial sector experienced strong growth, with an 18% increase in 2015.

ENSURING A RELIABLE SUPPLY OF WORLD-CLASS PRODUCTS

Port Dickson Refinery (PDR), which feeds the energy demand centers in the central and northern regions, is vital in the local production of cutting-edge fuels formulated to meet the unique needs of motorists.

Our refinery was able to maintain its impeccable safety performance last year, marking 13 years of zero Lost Time

Injury. PDR was also given the “Notable Achievement” by the Prime Minister’s Hibiscus Award, a reputable environment performance and management award-giving body, and was accorded by SIRIM, the Laboratory Quality Management Systems or ISO 17025:2005 certification. This ISO certification is aligned to the ongoing initiative of Total Quality Management to strengthen management practices, and achieve higher productivity. To ensure efficient operations, we completed a major maintenance turnaround at PDR on time and without safety issues.

From our refinery, we ensure that our products are delivered to customers safely, efficiently, and without delay. With this in mind, we successfully completed in June 2015 the linking of PDR to the Multi-Product Pipeline (MPP) and are now able to lift products from the Klang Valley Distribution



BRINGING GREAT MOMENTS TOGETHER



Terminal (KVDT) and supply the central region. We also upgraded three diesel loading bays in KVDT to enhance truck loading efficiency at the Terminal.

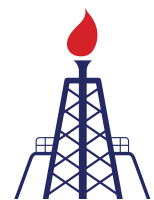
With greater demand in the aviation, we also enhanced the operations of our Kuala Lumpur International Airport (KLIA) and KLIA2 terminals by successfully commissioning additional units of jet hydrant dispensers.

THE PETRON WAY

Our successes can largely be attributed to our employees who bring more innovative solutions to our customers. As such, we actively invest in our employees, enhancing their skills and knowledge to ensure they grow together with the company.

We have one of the most robust training programs to expand and retain our talent pool. Last year, each employee spent an average of 21 training hours in Management Development Training, which comprises individual effectiveness courses and leadership programs. We also implemented internal improvement programs such as the Total Quality Management system (TQM) to enhance employee competitiveness and reinforce our core values — ExCITES — Excellence, Customer Focus, Innovation, Teamwork, Ethics, and Safety.

We also have Petron Recreational Clubs, which advocate work-life balance which the Company adopts to promote a healthy lifestyle amongst employees. The clubs organize sports meets and brown bag learning sessions.



ACHIEVED
13 YEARS
OF ZERO
LOST TIME INJURY

SUSTAINABILITY REPORT



Achieving growth through sustainable business practices is vital to Petron's success. Our commitment to sustainable business practices is anchored on the pillars of Environment, Safety & Security, and Social Performance.



**REDUCED
ELECTRICITY
CONSUMPTION
TO **53.3** GWhr**



INTRODUCED
ENVIRONMENT-
FRIENDLY
B7 BIODIESEL



PLANTED
1,000
MANGROVE
PROPAGULES

CREATING A BETTER ENVIRONMENT, A BETTER WORLD

We continue to be vigilant in protecting and preserving the environment through various programs that focus on the reduction of waste, emissions, and energy consumption at our Port Dickson Refinery. In 2015, our conservation and environmental efforts resulted in the reduction of electricity consumption from 54.3 Giga-Whr in 2014 to 53.3 Giga-Whr in 2015. We introduced environmental-friendly diesel, B7 Biodiesel, which contains 7% of POME to replace the former B5 Biodiesel which had 5% POME.

To further our efforts in protecting the environment, we partnered with the Kuantan

Municipal and Malaysian Nature Society, a non-governmental organization for a coastal and riverine mangrove planting project at Cherating, Pahang. Through this project, we worked to clean the Cherating mangrove river, which we complemented with the planting of 1,000 mangrove propagules.

In 2015, we launched our first Environment Outreach Program at the SK Panglima Adnan, Port Dickson where we conducted a forum for some 200 students and held a recycling contest to heighten their awareness on environment protection.

SUSTAINABILITY REPORT

CULTIVATING A HABIT OF SAFETY AND SECURITY

We continued to support the Royal Malaysia Police's (RMP) "United Against Crime" campaign, which promotes community safety and security. Under RMP's "Go-To Safety Points" (GTSP) program, we transformed 400 Petron stations to "safe havens" for motorists. These stations featured increased police presence, assistance corners at Treats convenience stores, and trained dealers and personnel.

Under the GTSP program, we organized team-building workshops in Negeri Sembilan, Sabah and Pahang, providing refresher training for more than 60 dealers and 40 RMP officers and three "Karnival Hari Komuniti Bersama Polis". These activities helped foster stronger and better relationships among our dealers, communities, and the RMP.

2015 also saw our continued partnership with the Road Safety Department. Over 150 students of the Universiti Sains Malaysia (USM) attended our Road Safety & Safe Riding Program, which provided talks on safe riding. Together with Honda Malaysia, participants were taught defensive driving using a special crash simulator called the Convincer. This mechanical device impressed the importance of using seatbelts among students by safely simulating the experience of a low-speed car collision.

Apart from the Road Safety & Safe Riding Program at USM, we also introduced the very first Road Safety Schools Outreach Program at the Port Dickson High School to further engage youth in advocating road safety. The program activities include talks by Road Transport Department and exhibitions by government agencies such as the Drug Enforcement Agency, Prison Department, and the RMP.



SUSTAINABILITY REPORT



Finally, we organized two Road Safety Programs in celebration of the Chinese New Year and Hari Raya. These activities allowed us to conduct safety inspections for 2,500 vehicles since proper maintenance is a vital part of Road Safety.

CARING FOR OUR COMMUNITIES

Our host communities are vital to our sustainability efforts and we make sure to include and involve them in our success.

We continued to work closely with the State Education Department and the State Government of Negeri Sembilan to help encourage and inspire our future leaders to excel in academics, sports, and arts. Petron co-sponsored the “Majlis Anugerah Insan Terbilang Negeri Sembilan 2015” where we recognized over 600 students, teachers and schools from the state for their excellence in Sports, Co-Curriculums, Drug Prevention, Student Affairs and Curriculum Centers.

We also marked the third year of the Vision Petron Art & Painting Competition. With the theme “Journey to Happiness”, the 2015 Vision Petron Art & Painting Competition drew 700 entries – twice as many entries from university students compared to the previous year. Through this competition, we are nurturing and promoting the artistry of the Malaysian youth. At the same time, this serves as a unique platform for them to promote national identity and culture through the arts.



SUSTAINABILITY REPORT



In sports, we renewed our partnership with the Malaysia Tennis Association by sponsoring the MAJU Tennis Malaysia Junior Tour 2015. The championship culminated in a Masters event, where over 100 players from every state including Sabah and Sarawak took part.

In January 2015, we initiated several activities in the East Coast states to help victims affected by one of the worst floods in Malaysia's history. Collaborating with retail giant Tesco, we provided diesel fuel for nine Tesco trailers that transported relief items such as food and clothing to designated flood centers. Additionally, Petron powered more than 20 units of 4x4 vehicles that joined the humanitarian relief effort convoy. During this occasion, Petron Malaysia employees and dealers, joined by our counterparts from the Philippines, donated desktop computers and one year internet service worth RM50,000 to ten schools that were badly hit in Kelantan.

In October 2015, members of Petron Malaysia's senior management and several station dealers in Kota Bharu, Kelantan handed over several computers to the Kelantan State Education Department. This simple gesture fulfilled Petron's earlier pledge to contribute to the rehabilitation of schools that were destroyed during the floods.

Our ability to contribute to the betterment of our communities is further driven by the spirit of volunteerism among our colleagues, as well as with our partners.

In 2015, Petron Malaysia celebrated a milestone when we institutionalized our employee engagement program called "Volunteerism in Action" or VIA. Mirroring the formal volunteering system of Petron Corporation, our VIA taps the enthusiasm of Petron Malaysia employees and partners to make a positive difference in the lives of our stakeholders.

SUSTAINABILITY REPORT



As a first activity, we held a “Back-to-School” program at Petron Malaysia’s head office in December 2015. Some 60 students from 11 schools in and around Seremban and Port Dickson attended the program together with accompanying teachers where they received a set of uniforms, shoes, bags and other school items sponsored by Petron staff. Each employee personally presented their sponsorship to their chosen student.

Through our sustainability initiatives, we aim to be a stronger company, a company whose presence also translates to education, environmental preservation, safety and security, and help for the needy.

ADVOCATING WORKPLACE DIVERSITY

We pride ourselves in taking care not only of our host communities but our own people as well. We fully embrace workplace diversity and believe that a diverse workforce can supply a greater variety of solutions, perspectives, and ideas that are essential to meet the demands of fluctuating markets and customers.

To help us do so, we ensure that our personnel policies, programs, and practices in various aspects such as employment relationship, recruitment, work assignment, promotion, transfer, termination, wage and salary administration, are all in conformance with applicable laws and regulations of the Malaysian Government policy. We also provide equal employment opportunities to all regardless of gender, age, and ethnicity.

We have highly-competent managers and supervisors who implement these policies and programs to inspire all employees to perform to the highest of their abilities.

In addition to providing equal employment opportunity, we also undertake special efforts to:

- Develop and support educational programs and recruitment practices that facilitate employment of Malaysian nationals, regardless of gender;

SUSTAINABILITY REPORT

- Develop and offer work arrangements that help to meet the needs of a diverse workforce in balancing work and family obligations; and
- Establish company training and development programs that support diversity in the work force and enhance the representation of Malaysian nationals, regardless of gender throughout the Company.

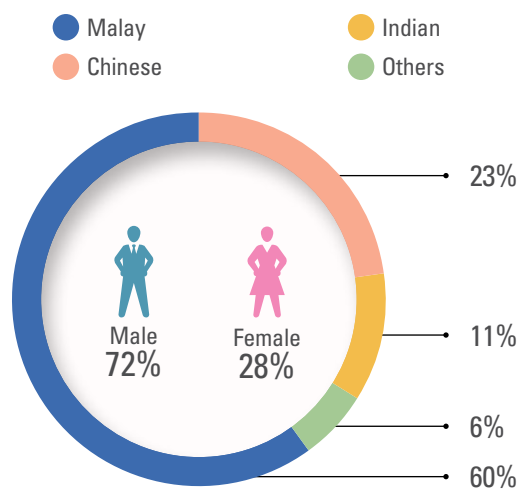
stewardship, we make sure that our business processes, our facilities, our products and our services are contributing to efforts that nurture nature.

All these translate not only into attaining the business agenda, but also in shaping a better future for the country.

NATION-BUILDING THROUGH SUSTAINABILITY

As Petron Malaysia continues to grow, so does our commitment to being a vital partner in the country's development, particularly in achieving Malaysia's Vision 2020 goal.

By exerting every effort to efficiently meet and surpass our economic goals, we are enabled to better serve our customers and communities. Through our Corporate Social Responsibility programs, we are able to build a better nation by helping address relevant social issues. Through environmental



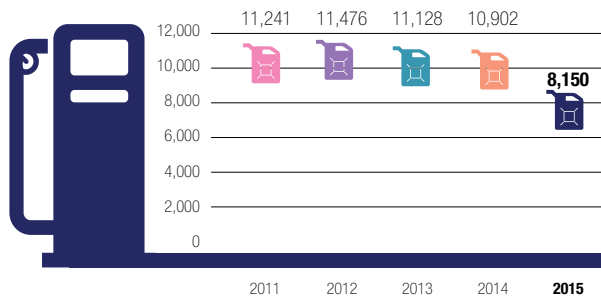
Summary of Employee Workplace Diversity



FIVE-YEAR SUMMARY CHARTS

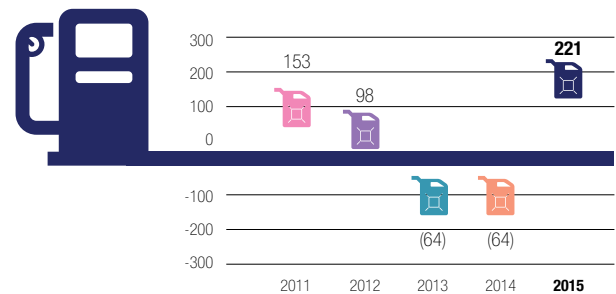
REVENUES

(Net of government duties)
RM MILLION



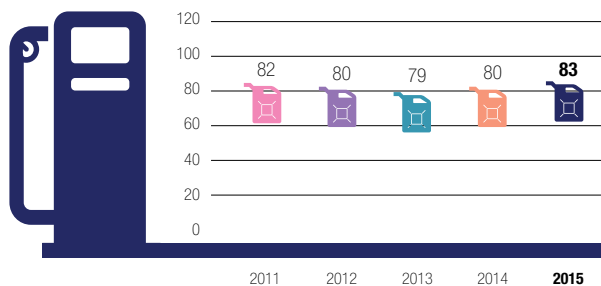
PROFIT/(LOSS) AFTER TAX

RM MILLION



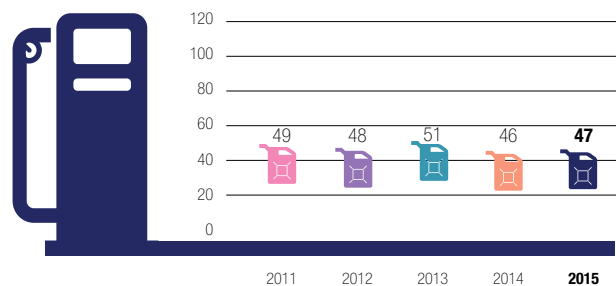
SALES VOLUME

Thousands of barrels
per calendar day



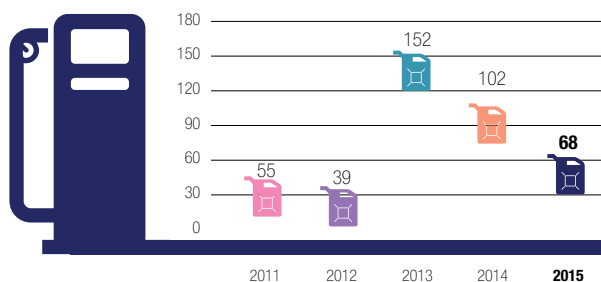
TOTAL THROUGHPUT

Thousands of barrels
per calendar day



CAPITAL EXPENDITURE

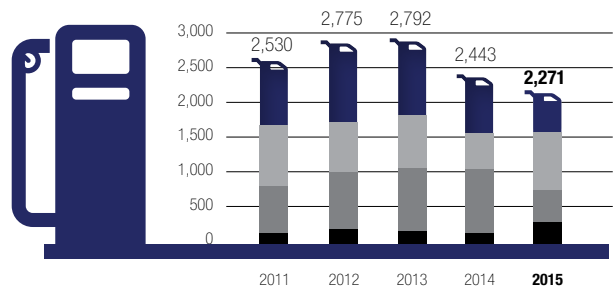
RM MILLION



TOTAL ASSETS EMPLOYED

RM MILLION

Financed by



2015 HIGHLIGHTS

FINANCIAL HIGHLIGHTS	2015	2014	%
	RM Million	RM Million	Change
Revenues	8,150	10,902	(25)
Profit/(Loss) after tax	221	(64)	high
Earnings/(Loss) per ordinary share unit (sen)	81.7	(23.9)	high
Dividend per ordinary share unit (sen)	20	-	100
Total assets employed	2,271	2,443	(7)
Total shareholders' funds	982	760	29
Sales volume (thousand barrels per calendar day)	83	80	4

SHAREHOLDERS' INFORMATION	2011	2012	2013	2014	2015
Earnings/(Loss) per ordinary share unit (sen)	56.8	36.4	(23.8)	(23.9)	81.7
Gross dividend per ordinary share unit (sen)	14	14	14	-	20
Dividend yield (%)	3.6	4.3	4.5	N/A	6.6
Share price (RM) - Highest	5.97	3.94	3.60	3.21	5.10
- Lowest	2.73	2.71	2.76	2.30	2.51
- Average	3.92	3.26	3.11	2.90	3.02
Number of employees at year-end	261	283	293	292	303

PROFILE OF DIRECTORS



Mr. Ramon S. Ang
Chairman and Executive Director
Age 62 | Filipino

Mr. Ramon S. Ang, a citizen of the Republic of the Philippines, was appointed as a Director on March 30, 2012 and appointed as Chairman/Chief Executive Officer of the Company on April 2, 2012. On November 20, 2013, Mr. Ang relinquished the position of Chief Executive Officer in adherence to the Malaysian Code on Corporate Governance 2012. Mr. Ang has served as the Chief Executive Officer and Director of Petron Corporation in the Philippines since January 8, 2009 and the President of Petron Corporation since February 10, 2015. Mr. Ang is also the Chairman of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Oil & Gas International Sdn. Bhd., Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. Mr. Ang is also Vice Chairman and President and Chief Operating Officer of Petron Corporation's parent company, San Miguel Corporation, and is on the Board of Directors of a number of its subsidiaries including San Miguel Pure Foods Company Inc. and SMC Global Power Holdings Corp. Mr. Ang is also a Chairman of Eastern Telecommunications Philippines Inc. and Liberty Telecoms Holdings, Inc. Mr. Ang holds a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University, Philippines.



Mr. Lubin B. Nepomuceno
Chief Executive Officer and Executive Director
Age 64 | Filipino

Mr. Lubin B. Nepomuceno, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. On November 20, 2013, Mr. Nepomuceno was also appointed as the Chief Executive Officer, when the offices of Chairman and Chief Executive Officer were separated in line with the recommendations of the Malaysian Code on Corporate Governance 2012. Effective February 10, 2015, he was appointed as General Manager of Petron Corporation. He is also a Director of a number of Petron Corporation's subsidiaries including its Malaysian subsidiaries, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. He is also the President of Petron Marketing Corporation. Mr. Nepomuceno is a Director of San Miguel Corporation subsidiaries, San Miguel Paper Packaging Corporation and Mindanao Corrugated Fibreboard Inc. Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and a Masters degree in Business Administration from the De La Salle University. He has also attended Advanced Management Programmes at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

PROFILE OF DIRECTORS



Y. Bhg. Dato' Zainal Abidin Putih
Independent Director, Chairman of the Board Audit &
Risk Management Committee
Member of the Nominating Committee
Age 70 | Malaysian

Y. Bhg. Dato' Zainal Abidin Putih, a Malaysian, was appointed Director of the Company on March 6, 2003. Upon qualifying from the Institute of Chartered Accountants in England and Wales, he joined the firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in July 2002. He has extensive experience in audit, having worked as a practicing accountant throughout his career covering many principal industries including banks, insurance, energy, transport, manufacturing, government agencies, plantations, properties, hotels, investment companies and unit trusts. He also has a good working knowledge of taxation matters and management consultancy, especially in the areas of acquisitions, takeovers, amalgamations, restructuring and public listing of companies. He plays an active role in the community and the corporate world being a Past President of the Malaysian Institute of Certified Public Accountants. He was also a member of the Malaysian Communication & Multimedia Commission, a body set up by the Malaysian government to oversee the orderly development of the multimedia and telecommunication industry in Malaysia. He was the Chairman of Pengurusan Danaharta Nasional Berhad as well as the Malaysian Accounting Standards Board (MASB). He is currently the Chairman of Dutch Lady Milk Industries Berhad and Land & General Berhad. He is a Director of the CIMB Group and is also the Chairman of CIMB Bank Berhad. Y. Bhg. Dato' Zainal Abidin Putih further serves as a Director of Tenaga Nasional Berhad and also acts as a Trustee of the National Heart Institute Foundation. Y. Bhg. Dato' Zainal Abidin Putih is a Fellow of the Institute of Chartered Accountants in England and Wales and is also a Certified Public Accountant.



Ms. Chua See Hua
Independent Director, Member of the Board Audit &
Risk Management Committee
Chairman of the Nominating Committee
Age 62 | Malaysian

Ms. Chua, a Malaysian, was appointed a Director of the Company on May 31, 2013. She is an Advocate and Solicitor of the High Court of Malaya, as well as in England and Wales, Hong Kong and Singapore. Ms. Chua is the founding partner of Chua Associates, Advocates and Solicitors; a niche firm she set up in 2010 specializing in corporate, commercial, real estate, finance and capital markets laws. Prior to that Ms. Chua was in legal practice since 1985 with a number of leading firms including Skrine & Co (1985-1989) and as Partner of Raslan Loong (1997-2010). She was also the General Counsel for Ernst & Young in Hong Kong and at the international law firm of Simmons & Simmons in Hong Kong (collectively from 1989-1997). Ms. Chua graduated with an LL.B from the University of East London, United Kingdom. She also completed her Masters in Law at the University of Cambridge specializing in companies & securities laws and international law.

PROFILE OF DIRECTORS



Y. Bhg. Dato' Zuraidah Atan
Independent Director, Member of the Board Audit &
Risk Management Committee
Age 57 | Malaysian

Y. Bhg. Dato' Zuraidah Atan, a Malaysian, was appointed a Director of the Company on February 20, 2014. She is an advocate and solicitor in her own law firm, Chambers of Zuraidah Atan which was established in 2004. Dato' Zuraidah is also the Chairman of the Students Volunteer Foundation, a foundation developed by the government to foster and cultivate the spirit of volunteerism among the students of higher education institutions. She is also an Honorary Advisor to the oldest non-governmental organisation related to cancer in the country, the National Cancer Society of Malaysia. She has more than 25 years of experience in the banking industry and has been involved in numerous investment projects and corporate advisory. She served for a period as President and CEO of Affin Merchant Bank, a local investment bank, and was also the first female Director of HSBC Bank Malaysia. She is an Independent Director on the Board of Kenanga Islamic Investors Berhad. Dato' Zuraidah is a public interest Director on the Board of Bursa Malaysia Berhad Group. She is also a Non-Executive Director of SP Setia Berhad. She is a member of the Consultation and Corruption Prevention Panel of the Malaysian Anti-Corruption Commission. Dato' Zuraidah Atan is a holder of Bachelor of Laws (Honours) degree from the University of Buckingham, England and a former student of Tunku Kurshiah College.



Ms. Aurora T. Calderon
Executive Director
Age 61 | Filipino

Ms. Aurora T. Calderon, a citizen of the Republic of the Philippines, was appointed to the Board of the Company on March 30, 2012. Ms. Calderon has served as a Director of Petron Corporation since August 13, 2010. She also sits on the Board of Directors of several Petron Corporation subsidiaries including Petron Oil & Gas International Sdn. Bhd. Ms. Calderon is also Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation and sits on the Board of Directors of San Miguel Corporation and several of its subsidiaries including SMC Global Power Holdings Corporation. She has served as a Director of Manila Electric Company (from January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, she graduated magna cum laude from the University of the East in 1973 with a degree in Business Administration, majoring in Accounting. She earned her Masters degree in Business Administration from the Ateneo de Manila University in 1980.

PROFILE OF DIRECTORS



Mr. Ferdinand K. Constantino
Non-Independent Non-Executive Director
Member of the Nominating Committee
Age 63 | Filipino

Mr. Ferdinand K. Constantino, a citizen of the Republic of the Philippines, was appointed to the Board on August 30, 2013. Mr. Constantino has served as a Director of San Miguel Corporation since May 31, 2010. He is the Chief Finance Officer, Senior Vice President, Treasurer and Corporate Information Officer of San Miguel Corporation. He is also the President of Anchor Insurance Brokerage Corporation and is a Director of San Miguel Yamamura Packaging Corporation, Top Frontier Investment Holdings Inc., San Miguel Foods Inc., Citra Metro Manila Tollways Corporation and Northern Cement Corporation. He is the Director and Vice Chairman of SMC Global Power Holdings Corp. Mr. Constantino previously served San Miguel Corporation as Director of San Miguel Pure Foods Company Inc. (2008-2009) and San Miguel Properties Inc. (2001-2009) and as Chief Finance Officer of Manila Electric Company (2009). Mr. Constantino obtained a Bachelor of Arts in Economics from University of the Philippines in 1972.

CORPORATE INFORMATION

PETRON MALAYSIA REFINING & MARKETING BHD (Company No.: 3927-V)

DIRECTORS

Mr. Ramon S. Ang

Chairman, Executive Director

Mr. Lubin B. Nepomuceno

Chief Executive Officer, Executive Director

Y. Bhg. Dato' Zainal Abidin Putih

Independent Director

Ms. Chua See Hua

Independent Director

Y. Bhg. Dato' Zuraidah Atan

Independent Director

Ms. Aurora T. Calderon

Executive Director

Mr. Ferdinand K. Constantino

Non-Independent Non-Executive Director

COMPANY SECRETARY

Mr. Manoj Devadasan
(LS0006885)

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)

Unit 32-01, Level 32, Tower A,

Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

Tel : +603-2783 9299

Fax : +603-2783 9222

AUDITORS

KPMG (No. AF 0758)

Chartered Accountants

Petaling Jaya

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

Stock Code : 3042

SOLICITORS

Messrs Raja, Darryl & Loh, Kuala Lumpur

Messrs Lee Hishamuddin Allen & Gledhill

Messrs Zain & Co., Kuala Lumpur

REGISTERED OFFICE

Office of the Secretary,
Petron Malaysia Refining & Marketing Bhd
Level 12A, Menara I&P 1,
No. 46 Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur.
Tel : +603-2082 8400
Fax : +603-2082 8578

CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practiced throughout the Company. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholder value. Accordingly, the Board fully supports the principles laid out in the Malaysian Code on Corporate Governance 2012 ("2012 Code"). The following is a review of how the Company complies with the various recommendations of the 2012 Code.

The Corporate Governance Report covers the financial year of 2015. The Company has incorporated best practices from parent company Petron Corporation's own governance culture and formulated the Company's own corporate governance policies and guidelines (called the standards of business conduct or 'Code of Conduct') based on the Company's needs. The following is a summary of the Company's compliance with the 2012 Code.

PRINCIPLE 1

Functions of the Board and Delegation to Management

The Board leads and controls the Company. The Board meets at least four times a year, with additional matters resolved by way of circular resolutions as and when required. Special meetings of the Board may be called when necessary. In 2015, following the retirement of Y. Bhg. Tan Sri Abdul Halim bin Ali, on June 16, 2015, the Board had three (3) Independent Directors. Each Independent Director brings invaluable judgment to bear on issues of strategy, performance, resource allocation, risk management, and standards of conduct. The role and authority level of the Chief Executive Officer ("CEO") is also stated in a Petron Corporation-based 'General Resolution' (on company-wide powers and relevant delegation of authority) that spells out the CEO's day-to-day management responsibilities and decision-making powers. For purposes of assisting the CEO in the day-to-day operational matters, the Board has also set up a Management Committee headed by the CEO and comprises the Heads of key Departments in the Company. The Management Committee meets weekly.

The Board regularly reviews the necessary delegation of authority in the Company on various functions including the formulation and designation of authorized signatories with respect to various business and functional matters based on the value of any given transaction. Controls are also incorporated to ensure that each approval goes through a strict process and various levels of independent 'cold eye' reviews prior to approval, thus preventing any

abuse of authority and ensuring thorough review prior to any decision being taken. The powers of the Management Committee are spelt out in the Committee's Charter. The Management Committee's Charter can be viewed on the Company's website www.petron.com.my. All matters that are not within the purview of Management Committee (per the Charter) are powers specifically reserved for the Board of Directors.

Board Leadership and Responsibility in Discharging Fiduciary and Leadership Functions

Except for matters requiring shareholders' approval, the Board is the ultimate authority in the Company and is tasked with the review and approval of all business plans and strategic initiatives (both short and long term) with specified goals that are to be achieved by the Management in the implementation of these plans and initiatives. Management reviews all such matters with the Board Audit & Risk Management Committee, comprised solely of Independent Directors, and the Board. By engaging the Independent Directors, the Management is able to elicit their views, and benefit from the Independent Directors' vast experience and expertise in various fields of business including that of the Company. The review with the Independent Directors also enables the Company to manage Minority Shareholders' expectation that their rights continue to be protected.

The Board recognizes that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/social risks. These are at all times kept in mind in planning and executing any venture that is

CORPORATE GOVERNANCE

to be undertaken. The Board nevertheless acknowledges that it is there to manage a business, and risk (as in all businesses) is an inherent part of the business. The Board recognizes that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognizes as necessary for its sustainability which the Board (and the Company's Management) prides itself in being able to achieve.

The Company has written guidelines on shareholders communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website www.petron.com.my. The guidelines also incorporate the parent company's best practices. The Board and Management recognize the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. To this end, suggestions made by shareholders have been incorporated, where appropriate, including the improvement of financial presentations at general meetings as well as enabling shareholders to visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations. The Company's website has a Management Committee Member as its named contact person with contact details, to ensure that shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Needless to say, material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad ("BMSB"), as required by the Main Market Listing Requirements of BMSB ("MMLR"). There is a clear framework in place for reporting on internal controls and compliance. The Management Committee meets weekly to review all matters in the preceding week and plan for work for the future. This allows the members of the Management Committee to review all issues pertaining to compliance, not only with laws including MMLR, but also compliance with the Company's policies on expected conduct of the Company and its employees. Any issue of non-compliance is referred to the Company's independent

Internal Audit Group for review and investigation and, where recommended, necessary action. The review will also highlight process gaps that have to be corrected to ensure that such non-compliance does not recur. The Company also has an established 'whistle-blower' protection system in its Standards of Business Conduct that is in place to safeguard employees from any recriminations for highlighting any non-compliance by any employee (including by a Director).

Code of Conduct and Management Systems

The Company has a written Code of Conduct in place that can also be accessed on the Company's website www.petron.com.my. The Code of Conduct contains policies and systems designed to create and support a strong system of corporate governance. The Code of Conduct has been communicated to the Company's employees, contractors and vendors, so that they have a clear understanding of the Company's expectations. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as standard terms in such contracts thus ensuring the Code of Conduct is at all times adhered to without compromise. As of 2015, all employees of the Company had undergone training on the Standards of Business Conduct and new hires are required to also undergo a comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires was introduced in 2015 and is conducted twice yearly to facilitate training of new employees joining the Company. The management systems that are in place are designed to achieve high standards of performance in the areas of safety, operations integrity, internal control, and legal and environmental compliance. As these systems have been previously adopted by the Board and were used by the Company for many years, upon the take-over of the Company by Petron Corporation in 2012, these management systems were deemed to continue in operation and employees, contractors and vendors by contract and training, continue to be guided by these same systems until such time these systems are amended. As the systems involve employees, contractors and vendors

CORPORATE GOVERNANCE

whose engagement spanned the take-over, it was recognized that a sudden change in the systems (and providing fresh training to the employees, contractors and vendors) would cause undue strain on the Company's resources. In this regard, the Company has opted to gradually change the systems (where necessary) by introducing new or revised set of management systems to govern the Company that are in line with the policies and systems of the parent company, Petron Corporation. However, changes to the current policies and systems are expected to be minimal. The Board and the Board Audit & Risk Management Committee with the assistance of an independent Internal Audit Group, help ensure that the policies and the management systems are fully implemented and consistently enforced.

Sustainability

Petron Corporation's investment in the Company (including its sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.) when it acquired ExxonMobil's interests in 2012, was a major investment by Petron Corporation in Malaysia. This investment was driven by a belief in the future of the downstream oil and gas business, the Malaysian economic growth prospects and a desire to benefit from regional business opportunities. The Board takes full cognizance that this investment by Petron Corporation is for the long-term. The sustainability and continued sustainability of the business is key to ensuring all shareholders who have put their faith in the Company through their investment, and other stakeholders namely, the community in which we operate and society in general, benefit from the Company's presence and growth. To this end, the Company is fully committed to ensuring its products meet the highest standards in terms of safety and environment. The Company is also committed to meeting the Government's call to introduce cleaner and environment friendly Euro-5 compliant fuels. The Company also has a policy of 'Malaysians First' when engaging employees. To date, the Company and its sister companies have hired over 500 Malaysian employees to fill job vacancies created since the take-over by Petron in 2012. These Malaysian employees have an opportunity to learn the business and complex processes in the downstream oil and gas industry first hand and in turn contribute to the long-term development of the Company, the economy and society as a whole. The Company has a comprehensive 'Vision/Mission/Values' statement. The Vision/Mission/Values Statement also contains all

elements of sustainability that the Company embraces. The Vision and Mission Statement can be viewed on the inner cover of this report.

The Management has advised the Board of Directors of its plans on complying with the new Sustainability Reporting requirements issued by BMSB. The Company is required to commence reporting in 2018. Management has set up a taskforce to prepare the Sustainability Report.

The Board

The Board has seven members (as of the end of 2015), with three Independent Directors, one Non-Executive Director and three Executive Directors (including the Chairman). Together, the Directors form the mind and management of the Company. Each Independent Director brings invaluable judgment and skills to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. Balance in the Board is achieved and maintained with the composition of both Executive and Independent Directors. In recognition that the Independent Directors have a primary role in providing unbiased and independent views, the Company has selectively appointed highly qualified individuals of integrity and character, with broad experience and proven business and management expertise. With the retirement of Y. Bhg. Tan Sri Abdul Halim bin Ali on June 16, 2015, Y. Bhg. Dato' Zainal Abidin bin Putih is the longest serving Independent Director of the Company. Shareholders are at liberty to approach Y. Bhg. Dato' Zainal Abidin bin Putih, or any of the other Independent Directors, should there be any concerns relating to the Company and its Management.

Supply of Information to the Board

Information regarding the Company's business and affairs are normally provided to the Board by the Company's Management and staff. Towards meeting this objective, Board meetings are structured with a pre-determined agenda. Board and Committee papers covering the Company's operational and financial performance, strategic plans on any significant matters and developments, together with the minutes of the previous Board and Board Audit & Risk Management Committee meetings, are circulated to the Directors (or Members of the Board Audit & Risk Management Committee, as the case may be) in advance of each

CORPORATE GOVERNANCE

meeting. This allows the Directors time to study and deliberate on the issues to be raised and discussed at each meeting.

Access to the Services of a Competent Company Secretary

The Board, in addition, has full access to the services and advice of the Company Secretary. The Company Secretary, who is also the General Counsel of the group of Petron companies in Malaysia and a member of the Management Committee, has over 26 years of experience in legal matters and over 20 years of experience as a Company Secretary including that pertaining to a public listed company. The Company Secretary is responsible for all arrangements in relation to Board and Committee meetings, Annual General Meetings, Annual Reports, as well as ensuring the Company's timely and accurate disclosure to BMSB and ensuring compliance by the Company with MMLR and other securities and corporate laws. The Directors also have full access to such outside advisors, including accountants, legal counsels, and other experts, as they deem appropriate. The fees and expenses of any such advisors will be paid by the Company. The Company also engages the services of an experienced and competent external Share Registrar to manage all share registration related matters, managing poll voting at general meetings and dividend payment processes.

The Board Charter

Whilst the Board when first formed in 1974 had a formal Charter, with time and changes in the nature of the business, the roles and responsibilities and delegation of authority became more clearly defined by the 'General Resolution' on the delegation of authority today within the Petron Corporation group. This delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Board and Management and the relevant authority levels at Management. This document is reviewed periodically by the Board and updated as necessary. It is also to be noted that the Board recognizes (as mentioned in the 2012 Code) that it cannot effectively undertake the day-to-day management of the Company. It thus created the Management Committee, crafting a charter for the said Committee that spells out its roles and responsibilities. Thus, where any act or approval is not stated to be within the purview of the Management Committee, by default it is deemed to be within the

purview of the Board. The Charter of the Management Committee can be accessed on the Company's website www.petron.com.my. The Management Committee Charter was last reviewed and amended in April 2012.

PRINCIPLE 2

Establishment of a Nominating Committee

The Nominating Committee was established by the Board of Directors in 2003 with a written Charter that specifies its roles and responsibilities. The Nominating Committee Charter was last reviewed and approved by the Board of Directors in November 2013. The Charter can be accessed on the Company's website www.petron.com.my. The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Committees, for the Board's consideration and decision. The Nominating Committee is also responsible for the review and recommendation of candidates for appointment as Chief Executive Officer, Chief Finance Officer and Company Secretary.

The current members of the Nominating Committee are as follows:

1. Ms. Chua See Hua
(Independent Director) – Chairman of the Committee
2. Y. Bhg. Dato' Zainal Abidin Putih
(Independent Director)
3. Mr. Ferdinand K. Constantino
(Non-Executive Director)

The composition of the Nominating Committee complies with the 2012 Code.

Role of the Nominating Committee and Activities in 2015

Apart from reviewing and making recommendations to the Board with regard to candidates as mentioned above, the Nominating Committee is also responsible for the annual assessment of the effectiveness of the individual Directors, Board Committees, and the overall Board on an on-going basis. These assessments, based on a combination of qualitative and quantitative factors, as determined by the Nominating Committee, were carried out by the Nominating Committee for the year.

CORPORATE GOVERNANCE

The findings and results of these assessments by the Nominating Committee were reported to the Board on February 25, 2016.

The Committee can also direct Management to plan induction training programs for new Directors (on request) to familiarize them with the fiduciary duties and need for compliance with securities and corporate laws.

The Nominating Committee, in recommending candidates, places emphasis on recommending the 'best person for the job and for the Company' regardless of race, religion, sex or social background. The same applies to the appointment of Directors to the Board. In considering candidates for appointment to the Board, the Committee places emphasis on the candidates' experience, qualifications, character, integrity, competence and available time to commit to the Company. As is the Company's practice of diversity, the Board and indeed the Nominating Committee is also keen to ensure diversity not only in gender but also in relation to age and ethnicity.

The Nominating Committee recognizes that diversity on the Board in terms of having one-third women directors was a call from the Government, and a noble one at that, which the Nominating Committee will strive to always achieve and maintain. In 2015, the Board had three (3) women directors, out of seven (7) directors; thus complying with the recommendation on gender diversity.

In accordance with the Company's Articles of Association, the Board can appoint any person to be a Director as and when it is deemed necessary. However, consistent with the best practices of the 2012 Code, the Nominating Committee makes recommendations to the Board prior to such appointments. Any person so appointed shall hold office until the next Annual General Meeting at which time the candidate will be subject to election by the shareholders. An election of Directors takes place every year, with each Director retiring from office at least once every three years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

In 2015, the Nominating Committee carried out the following activities:

- Conduct and review of the Annual Evaluation of the Directors, Board and Committees for the year ended 2014 and to report the same to the Board in

February 2015. A report of the same was then reported in the Annual Report of 2014.

- Review of candidates to retire by rotation and to recommend their re-election (Mr. Ramon S. Ang and Ms. Aurora T. Calderon)
- Review of candidates proposed for re-designation as Non-Executive Director (Mr. Ferdinand K. Constantino); and
- Review of the Independent Directors having exceeded 9 cumulative years in office and making recommendations to the Board on retention for another term (Y. Bhg. Dato' Zainal Abidin Putih).

Annual Review of Board/Committees/Directors Performance

For the Annual Evaluation, the Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Committee also considered their role in charting the course for the Company, setting out the strategic plans for the Company, and stewarding the implementation process. The Committee also reviewed other matters such as trainings attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements, including the MMLR.

A customized evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was implemented for the 2015 annual evaluation. The survey comprises 5 sets of form of questionnaires required to be completed by the respective Directors evaluating, by self-assessment and/or peer-assessment, in relation to (i) the independence of the Independent Director (ii) the performance of the Board Committees (iii) the performance of the main Board (iv) the Board members' skills set and (v) the Director's performance and contribution to the Board.

The 2015 annual evaluation was completed in January 2016 and the results were presented to the Nominating Committee and the Board on February 25, 2016. A summary of the results are as follows:

- **Independent Director's 'Independence'** - All 3 Independent Directors meet the necessary criteria for 'independence' and they are in compliance with the 2012 Corporate Governance Code.

CORPORATE GOVERNANCE

- **Board Committee Evaluations** - there were no adverse findings and the ratings received were between 4.8 to 5.0 indicating 'Consistently Good' to 'Strong'. The ratings received in 2014 were between 4.2 to 4.8.
- **Board Evaluation** - ratings received were between 4.1 and 4.8 with an overall average of 4.5 indicating 'Consistently Good'. The ratings received in 2014 were between 3.7 and 4.7 with an overall average of 4.4.
- **Board Skill Evaluation (Peer Assessment)** - the Directors were rated between 4.5 and 4.7, again indicating that on the average each Director was ranked as 'Consistently Good'. The ratings received in 2014 were also between 4.5 to 4.7.
- **Performance Evaluation (Self-Assessment and a Peer Assessment by each Director)** - each Director was rated between 4.7 to 4.8, again indicating that on the average each Director was ranked as 'Consistently Good'. The ratings received in 2014 were between 4.5 and 4.7

The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirements, under the MMLR, of independence. One (1) of the Independent Directors namely Y. Bhg. Dato' Zainal Abidin bin Putih has exceeded the recommended nine (9) cumulative years in office but his continued presence on the Board, approved at the preceding Annual General Meeting, also fulfills the necessary requirements as recommended by the 2012 Code.

The Board was satisfied with the results of the other evaluations, which showed the Directors, the Committees and the Board having achieved overall ratings of 'Consistently Good', and noting that the Board composition has the right mix of skills and experience and has individuals of integrity.

The evaluation results were also used by the Nominating Committee in considering and determining its endorsements in relation to the re-election of retiring Directors.

The Board also noted that the Chief Executive Officer, Chief Finance Officer, Company Secretary and other members of the Management Committee (collectively "Key Executives") undergo a rigorous annual performance evaluation and ranking process

based on set goals and Key Performance Indicators. This is done as part of the Petron Group's annual employees' performance evaluation. The evaluation is done independently of each of the individual Key Executives concerned and who does not have any role in determining the results of the evaluation, the ranking, the salary increments and other remuneration, if any.

Remuneration Committee

In line with Recommendation 2.3 of the 2012 Code, the Board at its meeting on August 22, 2014, determined to disband the Remuneration Committee. Effective the same day, as provided for in the 2012 Code, the Board of Directors assumed the role of the Remuneration Committee and manages the role by assuming the charter and procedure of the Remuneration Committee.

The Board reviews and makes recommendations on the Independent Directors Fees for approval at the Annual General Meeting. The Independent Directors during deliberations at the Board Meeting may be asked to provide their views but would otherwise abstain from any other discussion or voting regarding such proposal.

PRINCIPLE 3

Independence of Directors

The Independent Directors are not allowed to participate in any executive functions. To ensure their continued independence, the Independent Directors are required to provide a declaration to the Company of the fact. The Directors are also reminded to inform the Company of any new directorships offered to them, to enable the Company to conduct a review of any potential conflict of interest that may impact on their independence. The Independent Directors self-assessment of continued independence is conducted as part of the Annual Evaluation.

Tenure of Independent Directors

Independent Director, Y. Bhg. Tan Sri Abdul Halim bin Ali having served a term exceeding nine (9) cumulative years, retired on June 16, 2015. Current Independent Director, Y. Bhg. Dato' Zainal Abidin Putih has exceeded a tenure of nine (9) years on the Board. The Company recognizes the rationale for the imposition of a 9-year-tenure limit in the 2012 Code as familiarity with main shareholders, executive directors and senior management may, over a long

CORPORATE GOVERNANCE

duration, impinge upon the Independent Directors' ability to objectively and independently discharge their roles and responsibilities. The Company however takes the view that, the guidance of an experienced Independent Director such as Y. Bhg. Dato' Zainal Abidin bin Putih with his vast knowledge and understanding of the Company's business, will benefit the Company and the Executive Directors. Y. Bhg. Dato' Zainal Abidin bin Putih's presence on the Board will also enable him to assist in the selection and training of his eventual successor as Chairman of the Board Audit & Risk Management Committee.

The Board recognizes the need to have a succession plan for the Independent Directors and in this regard, the Board determined that a phased succession plan would be in the best interest of the Company. Induction of new Independent Directors, for this purpose is in progress.

Seeking Shareholders' Approval

The Board recognizes the recommendation in the 2012 Code and the Company plans to retain one of the Independent Directors, Y. Bhg. Dato' Zainal Abidin Putih despite his Board tenure having exceeded nine (9) years. Following a review by the Nominating Committee and its recommendation, the Board will be recommending to the shareholders at the Annual General Meeting in 2016 for the re-appointment of Y. Bhg. Dato' Zainal Abidin Putih as Independent Director for another year.

Chairman and CEO

In line with the recommendation of the 2012 Code, the office of Chairman of the Board and Office of the Chief Executive Officer is separated, with Mr. Ramon S. Ang as Chairman and Mr. Lubin B. Nepomuceno being the Chief Executive Officer.

Composition of the Board to be a majority of Independent Directors if there is no separation of Chairman/CEO. With the separation of the offices of Chairman and CEO, this recommendation from the 2012 Code is not applicable.

PRINCIPLE 4

Time Commitment by Directors

The Nominating Committee in evaluating the candidates for Directorship took into account their other various roles and responsibilities and formed the view that they have

the necessary capacity and time to fulfill their obligations and discharge their duties effectively as Directors. The Board Audit & Risk Management Committee too has taken cognizance of the reporting lines, reporting structure, reviews conducted, efficiency of processes and executive function of the Executive Directors, including their interaction with Senior Management and formed the view that the system was sound and effective.

Training

The Board places great emphasis on continuing education for Directors. In this regard, the status of each Director's continuing education was monitored and reviewed by the Board. The Board had in 2006, adopted the 'Principles for Training of Directors of the Company' that sets out the philosophies on and the type and mode of training that the Directors will undertake in each year, to help them serve the Board more effectively. These same Principles continue to be applied by the Board.

All Directors on the Board have received or undergone relevant training in 2015. A summary of the training programs attended by the Directors in 2015 are as set out in pages 44 to 46.

The Company reimburses the Directors for costs incurred in attending continuing education programs.

The Directors are also briefed on any significant changes in laws and regulations that are relevant to the Company's operations. Directors further received training and information about new initiatives by the Company, for example the training and information provided to the Directors on the new hedging plans, decision-making process, hedging tools, and relevant hedging activities of the Company.

PRINCIPLE 5

Financial Statements

In announcing the quarterly, semi-annual and annual financial statements to the shareholders and the public, the Board endeavours to present a balanced and understandable assessment of the Company's financial position and prospects. The Board Audit & Risk Management Committee assists the Board by ensuring the accuracy and adequacy of the information announced.

CORPORATE GOVERNANCE

The Board recognizes the importance of the accuracy of financial statements released to the public and thus, has no tolerance for any compromise on the integrity of the financial statements. The Board Audit & Risk Management Committee is updated every quarter by the Chief Finance Officer and Senior Management on the Company's compliance with financial reporting standards that have been adopted in preparing the financial statements. The review is comprehensive and to aid and enable the Board Audit & Risk Management Committee to track the financial performance of the Company, the presentation to the Board Audit & Risk Management Committee as a general rule follows a set format. The Board Audit & Risk Management Committee also reviews all aspects of the business and each business unit's performance and resulting contribution towards the financial performance of the Company. By such review, the Board Audit & Risk Management Committee is apprised of the factors contributing to the financial statements and is able to gauge the accuracy of the financial statements before endorsement of the same for tabling to the Board.

The Board Audit & Risk Management Committee also meets with the external auditor and the internal auditor privately (without Management's presence) to have the candid views of the external and internal auditors on their findings and to ascertain the level of support received from Management. This entire process of review allows the Board Audit & Risk Management Committee to thoroughly review and confirm the accuracy and integrity of the financial statements of the Company that are prepared and released to the public.

Suitability of External Auditors

Recognizing the importance of the quality of services needed by a subsidiary of Petron Corporation/San Miguel Corporation, a multi-national group, the Company as a matter of principle only appoints top-tier international firm as external auditor for audit and non-audit services. The Board Audit & Risk Management Committee is tasked with an annual review of the external auditor (as part of the Annual Audit Plan review with the external auditor). The key matters for discussion in the Annual Audit Plan include the independence and continued independence of the external auditor. A written assurance of the fact is also obtained from the external auditor. Only when the Board Audit & Risk Management Committee is satisfied will it make the necessary recommendations to the Board for the appointment of the external auditor.

PRINCIPLE 6

Risk Management and Internal Controls

Please refer to the Statement of Risk Management and Internal Controls on pages 50 to 51.

Internal Audit

The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls. This is to provide reasonable assurance that such systems are operating effectively. The basic framework of the Company's system of internal controls is described above. The internal audit process covers the audit of selected units and operations based on risk assessment and the periodic and annual review with the Board Audit & Risk Management Committee of audit results and audit plans for the subsequent year. Where there are any amendments to the audit plan, such amendments to the plan will require approval from the Board Audit & Risk Management Committee.

The Company's internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, that also undertakes audit work for all Petron Corporation companies in the region. The internal audit group which reports directly to the Company's Board Audit & Risk Management Committee, also takes functional guidance from Petron Corporation's internal audit function. This structure allows the Company to benefit from the application of Petron Corporation's internal audit best practices and assures the Company of internal audit independence. The cost incurred for internal audit in 2015 was RM 61,919.93.

PRINCIPLE 7

Disclosure Policies

The Company has a written disclosure policy that is incorporated in the Company's Corporate Communication and Disclosure Guidelines. The Guidelines augment a robust and tested system to ensure strict adherence with necessary disclosures to the public via BMSB. Considering the business of the Company, the similar nature of business of its sister companies in Malaysia, the nature of Petron Corporation's large downstream oil and gas business activities and the multifaceted and

CORPORATE GOVERNANCE

wide-ranging businesses of the ultimate holding company San Miguel Corporation, the Company, as a matter of strict controls process, requires all transactions involving the Company to be reviewed via a 'filter' process, commencing with weekly Management Meetings and reviews with Law, Financial Controllers and Tax. All implications of the transactions (including the possibility of any related party transactions) are fully explored and reviewed to ensure strict compliance with the provisions of applicable laws (including the MMLR). The Board does not allow for any compromise on this.

The Company also adopts the recommended best practice of voluntary disclosure of information to keep the public fully informed of any matters that may have any impact on the market or share price.

Use of Information Technology

The Company places information about the Company including all disclosures made to BMSB on its website. The website contains information about the Company including its Corporate Governance, its parent company Petron Corporation, media announcements, stock exchange disclosures, its products range, dealership opportunities and employee recruitment. The website also contains the name and contact details of a Senior Management personnel who will address Investor Relations issues and Shareholders' queries. The website is regularly updated with the latest information. The Corporate Governance portion in the website contains information pertinent to shareholders including the Annual Reports, its Vision/Mission/Values Statement, its Safety/Health/Environment Policies, the Code of Conducts, Sustainability and on Corporate Communication and Disclosure Guidelines.

PRINCIPLE 8

Shareholder Participation

At the Annual General Meeting, the Chairman of the Board apprises the shareholders of the progress and performance of the Company. A question and answer session is also conducted to allow shareholders the opportunity to question Management on the Company's business and the proposed resolutions. The Chairman, the Board members, Senior Management, external legal counsel and the external auditors are available at the Annual General Meeting to respond to questions.

The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. The Annual General Meeting provides an appropriate forum for the shareholders to hold dialogues with the Board on Company-related matters.

The Company generally provides a minimum of one-month notice period for General Meetings (except in exceptional circumstances) and arranges for the General Meetings in a convenient and conducive location to give shareholders ample notice and to encourage their attendance. The Board has not formulated any plans to introduce electronic voting but will evaluate available systems and make a decision that will be in the best interest of the shareholders attending the meetings in the future. The Company however has, in collaboration with its share registrar, implemented the use of some automation in the poll voting process, thus increasing speed and efficiency of the voting process.

Poll Voting

In line with the 2012 Code, the Board implemented poll voting as a general process in all General Meetings of the Company. This ensures that the voting is representative of shareholding in the Company. The use of automation in the poll voting process, will allow for faster tabulation and the results that will be announced to the shareholders by the returning officer indicating the number of votes and the percentage of vote for and against any proposed resolution.

Proactive Engagement with Shareholders

The Company actively encourages shareholders to engage the Management to hold dialogues on any issues pertaining to the Company and provide them with information that may be disclosed. The Management, on several occasions has invited shareholders, potential shareholders and fund management companies (at their request) to attend private meetings with Management to help clarify Company-related matters including those on disclosed financial results, disclosed corporate actions and business plans. The Company strongly believes that engaging shareholders directly apart from dialogues at general meetings, is an integral part of ensuring sound governance of the Company and helps stakeholders rationalize and appreciate the needs of the Company and balance that against the wants of the stakeholders.

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OTHER INFORMATION RELATING TO CORPORATE GOVERNANCE

Directors' Attendance at Meetings

For the year ended December 31, 2015, four (4) Board and seven (7) Board Audit & Risk Management Committee meetings were held. Details of the Directors' attendance at these meetings are summarized below:

Directors	Number of Board Meetings		Number of Board Audit & Risk Management Committee Meetings	
	Held	Attended	Held	Attended
Mr. Ramon S. Ang	4	3	Non-Member	Non-Member
Ms. Aurora T. Calderon	4	3	Non-Member	Non-Member
Mr. Lubin B. Nepomuceno	4	4	Non-Member	Non-Member
Mr. Ferdinand K. Constantino	4	3	Non-Member	Non-Member
Ms. Chua See Hua	4	4	7	7
Y. Bhg. Tan Sri Abdul Halim Ali	2+	2	4+	3
Y. Bhg. Dato' Zainal Abidin Putih	4	4	7	7
Y. Bhg. Dato' Zuraidah Atan	4	3	7	6

+ Denotes number of meetings held in the year while in office

Directors' Remuneration

An analysis of the aggregate Directors' remuneration incurred by the Company for the year ended December 31, 2015 as prescribed under Appendix 9C Part A Item 11(a) of the MMLR is set out below:

	Fees (RM)	Value of Remuneration and Others (RM)	Total (RM)
Executive Directors	-	-	-
Independent Directors	175,000.00	92,170.88	267,170.88

An analysis of the number of Directors whose remuneration, incurred by the Company, falls in successive bands of RM50,000 as prescribed under Appendix 9C Part A Item 11(b) of the MMLR is set out below:

Remuneration (RM)	Number of Executive Directors	Number of Non-Executive Directors
Less than RM50,000	-	1
50,001-100,00	-	3

The Company has opted not to disclose each Director's remuneration as the Board considers the information to be sensitive and proprietary.

Petron Corporation-nominated Executive Directors and Non-Executive Director did not receive any remuneration from the Company.

CORPORATE GOVERNANCE

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 and the MMLR to confirm that the financial statements for each financial year have been made out in accordance with the applicable approved accounting standards and that they give a true and fair view of the results of the business and state of affairs of the Company for the financial year.

The Directors have carried out their responsibilities by:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- ensuring that all applicable accounting standards have been adhered to; and
- basing the financial statements on a going-concern basis, as the Directors have a reasonable expectation, after having made due enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps such accounting and other records which will sufficiently explain the transactions and give a true and fair view of the financial position of the Company, enabling the Directors to ensure that the financial statements comply with the Companies Act, 1965 and to safeguard the assets of the Company.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors of the Company. The role of the Board Audit & Risk Management Committee in relation to the internal and external auditors is described on pages 47 to 49.

Material Contracts

The Company is not and was not a party to any material contracts involving the Directors' interests during the year. Further, the Company is not and was not a party to any material contracts that are not in its ordinary course of business. All contracts that are of a related party nature have been duly disclosed to BMSB during the year.

Non-Audit Fees

No non-audit fees were paid or are payable to the external auditors, KPMG, by the Company for the financial year ended December 31, 2015.

Other Information

- (i) Family relationship
None of the Directors have any family relationship with any other Director and/or major shareholder(s) of the Company.
- (ii) Conflicts of interest
None of the Directors have any conflicts of interest with the Company.
- (iii) Conviction for offences (excluding traffic offences)
None of the Directors have been convicted for any offences within the past 10 years.
- (iv) Sanctions and/or penalties
No sanction or penalty has been imposed on the Company, or the Directors or the Management, by the relevant regulatory bodies.

This Statement is made in accordance with the Board of Directors' resolution dated February 25, 2016.

CORPORATE GOVERNANCE

TRAININGS ATTENDED BY DIRECTORS

Directors/Training	Date in 2015	Organizer
Mr. Ramon S. Ang		
• “The New Companies Ordinance – Directors’ Liabilities & Responsibilities” “Competition Ordinance”	Oct 5	The Hong Kong Institute of Directors
• Corporate Governance Seminar	Nov 11	Risks, Opportunities, Assessment and Management (ROAM), Inc.
• San Miguel Agenda 2015	Nov 13	San Miguel Corporation – Human Resources
Mr. Lubin B. Nepomuceno		
• Corporate Governance Seminar	Aug 5	SGV & Co.
• Forbes Global CEO Conference	Oct 12-14	Forbes Asia
• San Miguel Agenda 2015	Nov 13	San Miguel Corporation – Human Resources
Ms. Aurora T. Calderon		
• Investor Relations Conference	Jan 22-23	Philippine Stock Exchange and Daiwa
• Workshop on Best Practices in Treasury	Mar 9	Bank of America – Merrill Lynch
• FINEX 47 th Annual Conference	Oct 2	Finance Executives in the Philippines
• Forbes Global CEO Conference	Oct 12-14	Forbes
• Corporate Governance	Nov 11	Risks, Opportunities, Assessment and Management (ROAM), Inc.
• San Miguel Agenda 2015	Nov 13	San Miguel Corporation – Human Resources
Mr. Ferdinand K. Constantino		
• Investor Relations Conference	Jan 22-23	Philippine Stock Exchange and Daiwa
• Workshop on Best Practices in Treasury		Bank of America – Merrill Lynch
• Italian Delegation		Philippine Chamber of Commerce and Industry
• Philippine Investment Forum	Mar 24	Euromoney
• Maybank Invest ASEAN	Mar 31	Maybank
• 3 rd Kyoto University Investment Forum		
• Roundtable Economic Update	Jun 30	Deutsche Bank
• Corporate Governance Seminar	Aug 25	SGV & Co.
• ANZ Financial Forum	Aug 12	ANZ
• Competition Law - A Brief Overview; The New Companies Ordinance: Directors’ Liabilities and Responsibilities	Oct 15	The Hong Kong Institute of Directors
• 4 th db Access Phil Conference	Oct 7-9	Deutsche Bank
• FINEX 47 th Annual Conference	Oct 2	Finance Executives in the Philippines
• Forbes Global CEO Conference	Oct 12-14	Forbes

CORPORATE GOVERNANCE

Directors/Training	Date in 2015	Organizer
Mr. Ferdinand K. Constantino (continued)		
• Corporate Governance Seminar	Oct 20	Risks, Opportunities, Assessment and Management (ROAM), Inc.
• Corporate Governance Seminar	Nov 11	Risks, Opportunities, Assessment and Management (ROAM), Inc.
• San Miguel Agenda 2015	Nov 13	San Miguel Corporation – Human Resources
• APEC CEO Summit	Nov 16	APEC
• Corporate Governance Seminar	Dec 4	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Y. Bhg. Dato' Zainal Abidin Putih		
• IPO Preparedness Session for TNB	Jan 14	KPMG/Tenaga Nasional Berhad
• TNB Top Management Risk Forum	Jan 15	Tenaga Nasional Berhad
• CIMB Group Asset Management, Compliance, Audit & Risk Conference – Synergizing A Robust Governance Culture With Business	Jan 24	CIMP Principal Asset management
• L&G Directors' In House Training - Detecting Financial Frauds	Jan 26	Tricor Knowledge House Sdn Bhd
• FIDE Core Programme : Board Dynamics : A Conversation with a Chairman	Mar 10	FIDE/The ICLIF Leadership & Governance Centre
• TNB Board Breakout Session	Apr 9	Tenaga Nasional Berhad
• Invest Malaysia 2015	Apr 23	CIMB Investment Bank/Bursa Malaysia
• CIMBG 2015 Risk Appetite Workshop	Jun 9	Group Chief Risk Officer, CIMB Group
• Risk Posture Workshop for CIMB Group Risk Committee members	Jul 28	CIMB Group
• TNB Accountants Conference – Value of Finance Community in TNB	Aug 11	Tenaga Nasional Berhad
• Australia All Energy 2015 Exhibition & Conference, Melbourne	Oct 6 & 7	Reed Exhibitions Australia Pty Ltd, Melbourne
• Directors' Continuing Education Programme 2015	Oct 20	Shell Refinery Company Bhd (Dutch Lady Milk Industries)
• CIMB Group Annual Management Summit	Nov 20 & 21	CIMB Group
Ms. Chua See Hua		
• Professor Barry Eichengreen on "Global Economic Prospects: What Should Keep Us Up At Night?"	Mar 21	Jeffrey Cheah Distinguished Speakers Series
• Professor Jeffrey D Sachs on "The Age Of Sustainable Development"	Mar 24	Jeffrey Cheah Distinguished Speakers Series
• Modernising the Companies Act. Creating Synergy in Malaysian Business Landscape	Sep 8 & 9	SSM National Conference 2015
• Bursa Malaysia - CG Breakfast Series with Directors: "How to maximize internal audit"	Sep 9	Bursa Malaysia
• Bursa Breakfast Series "Tone from the Chair"	Sep 15	Bursa Malaysia
• "Financial Language in the Board Room"	Oct 12 & 13	Malaysian Directors Academy

CORPORATE GOVERNANCE

Directors/Training	Date in 2015	Organizer
Ms. Chua See Hua (continued)		
• "Sense & Sensibility, Accounting & Accountability: A Practitioner's Perspective" by YBhg Tan Sri Dato' Azman Hj. Mokhtar, Managing Director of Khazanah Nasional Berhad;	Nov 12	MICPA 56 th Anniversary Commemorative Lecture
• "IFRS/MFRS Technical Update: 2015-2016"	Dec 8	Commerce Clearing House (Malaysia) Sdn Bhd
Y. Bhg. Dato' Zuraidah Atan		
• CAP 10 ASEAN CEO Summit 2015	Feb 12	Bursa Malaysia Berhad
• 26 th Annual Palm & Lauric Oils Conference	Mar 3	Bursa Malaysia Berhad
• Knowing How to Detect, Prevent and Report	Apr 15	Bursatra
• Invest Malaysia 2015	Apr 23	Bursa Malaysia Berhad
• Lead the Change: Getting Women on Boards	May 8	-
• Port Investments & Public Private Partnership	Jun 24-26	-
• Palm Oil Products: Expanding the Current Bursa Malaysia Derivatives Portfolio	Jul 31	Bursa Malaysia Berhad
• Corporate Governance (CG) Director's Workshop – The Interplay between CG, Non-Financial Information and Investment Decision	Aug 19	Bursa Malaysia Berhad
• 16 th International Anti-Corruption Conference 2015: Ending Impunity – People Integrity Action	Sep 2-3	-
• World Capital Markets Symposium 2015: Markets and Technology: Driving Future Growth Through Innovation	Sep 3-4	-
• Capital Market Director Programme: Module1 - Directors as Gatekeepers of Market Participants	Sep 28	Securities Industry Development Corporation (SIDC), Securities Commission (SC)
• Financial Freedom: Growing Dreams by Suze Orman	Oct 6	PNB Lecture Series
• Capital Market Director Programme: Module2B - Business Challenges and Regulatory Expectations	Oct 7	SIDC, SC
• Capital Market Director Programme: Module3 - Risk Oversight and Compliance – Action Plan for Board of Directors	Oct 8	SIDC, SC
• Capital Market Director Programme: Module4 - Current and Emerging Regulatory Issues in the Capital Market	Oct 9	SIDC, SC
• National Preparedness Month YSS-MDEC-JPAM (Disaster Recovery Planning)	Oct 15-18	Akademi Kepimpinan Pengajian Tinggi (AKEPT)/Leadership Academy
• Board Chairman Series: Tone from the Chair and Establishing Boundaries	Oct 22	Conference Room, Bursa Malaysia Berhad
• CG Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom	Nov 2	Conference Room, Bursa Malaysia Berhad
• The International Association of Traffic and Safety Sciences (IATSS) Forum: IATSS Forum-A World of Human Chemistry	Nov 14	International Chairpersons' Meeting/ Honda Foundation at Suzuka Circuit Hotel, Suzuka, Japan

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Committee comprises three (3) Independent Directors. The following are the Committee members:

1. Y. Bhg. Dato' Zainal Abidin Putih
– Chairman of the Board Audit &
Risk Management Committee
2. Ms. Chua See Hua; and
3. Y. Bhg. Dato' Zuraidah Atan

A detailed profile of the Committee members can be found on pages 29 to 30.

The Secretary to the Committee is the General Counsel/ Company Secretary of the Company.

The Committee had seven (7) meetings during the last financial year. The details of attendance of each Committee member have been tabulated under the Corporate Governance Statements section, which can be found on page 42. Executive Directors are encouraged to attend these meetings to provide guidance to the Board Audit & Risk Management Committee. However, Management Committee Members, in particular the Alternate Chairman of the Management Committee, the Chief Finance Officer and the General Counsel/Company Secretary regularly attend the Committee meetings by invitation to present matters for consideration by the Committee and to provide answers to queries. In addition to the Committee meetings, the Committee also met privately with the Internal Auditor and External Auditors.

As part of the new Petron-led Management's corporate governance culture, and to ensure that Independent Directors are kept fully abreast of all matters pertaining to the Company, the Management implemented a process where if an Independent Director is unable to attend a Committee Meeting, an advance private meeting, where possible, will be held with said Director earlier to fully brief him of all matters to be tabled before the Committee. The views of that Director are then related to the Committee during its Meeting. Similarly, where a Circular Resolution of the Committee is moved (due to difficulty in arranging a Committee meeting), a private meeting will be arranged with each Independent Director, where possible, for a full briefing on the proposal prior to obtaining their consent to the Circular Resolution.

SUMMARY OF ACTIVITIES

During the last financial year, the Committee discharged its functions and carried out its duties as set out in the Terms of Reference below.

INTERNAL AUDIT

To ensure independence from the Company's Management, the Internal Audit function of the Company is managed by Petron Corporation's Internal Audit Department. The Internal Auditors report directly to the Board Audit & Risk Management Committee.

The Internal Audit Department of Petron Corporation is highly experienced in auditing downstream oil and gas business and this enables the internal auditors to conduct the audits efficiently with minimal familiarization and be in a position to provide management with much input process improvements in the Company's systems.

Further information about the internal audit function can be viewed under the Corporate Governance Statements on page 40.

TERMS OF REFERENCE OF THE BOARD AUDIT & RISK MANAGEMENT COMMITTEE

Membership

The Committee members shall:

- be appointed from members of the Board of Directors (the Board);
- consist of not less than three in number;
- comprise fully Independent Directors;
- elect a Chairman from among their number, who is an Independent Director and has requisite qualifications; and
- not be an alternate Director.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Meetings and Minutes

Meetings of the Committee shall be held regularly, and as often as necessary. Other Directors of the Company and relevant personnel may only attend the meetings at the invitation of the Committee. If required, the presence of the external auditors at the meetings of the Committee may be requested. The auditors, both internal and external, may request the Committee to convene a meeting if one is necessary, to consider any matter which any of the auditors believe should be brought to the attention of the Directors and/or shareholders of the Company.

The Secretary to the Committee shall be appointed by the Committee. The Secretary shall be responsible for the timely issuance of meeting notices, together with meeting agenda and any supporting documents in advance of such meeting, for recording, keeping and distributing the minutes of meetings and any other duties ordinarily discharged by a secretary of such Committee.

Authority

The Committee is authorized by the Board:

- To investigate any matter within its terms of reference;
- To have the resources which are required to perform its duties;
- To have full and unrestricted access to any information pertaining to the Company;
- To have unrestricted access to and communication with the external auditors of the Company and internal auditors;
- To obtain external legal or other independent professional advice as necessary; and
- To convene meetings with the external auditors of the Company, without the attendance of the executive members of the Committee, whenever deemed necessary.

Duties

The Committee is charged with the following duties:

- To review, provide recommendations and (where necessary) approve risk management reviews and findings, and to review the mitigation initiatives implemented by the Company;
- To review with the external auditors and internal auditors of the Company, the audit plan of the Company, the respective auditors' evaluation of the Company's system of internal accounting controls and the audit report, the external auditors' management letter and management's response to such letter, and report the same to the Board;
- To review and report to the Board the assistance given by the Company's employees to the external auditors and internal auditors of the Company;
- To review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- To review and report to the Board the internal audit programme, processes, the results of the internal audit programme, or investigation undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit;
- To review and report to the Board the quarterly results and year-end financial statements, including the balance sheet and profit and loss statement, prior to submission of the statements to the Board for approval, focusing particularly on:
 - changes in existing accounting policies or implementation of new accounting policies;
 - significant and unusual events;
 - compliance with accounting standards and other legal requirements; and
 - the going concern assumption.
- To review and report to the Board any related party transaction and conflict of interest situation that may arise within the Company;
- To review all contracts over RM5 million that are not in the ordinary course of business and accounts receivable to be written-off;

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

- To review and report to the Board any removal, resignation, appointment and audit fee of the Company's external auditors;
- To review and report to the Board whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment;
- To recommend the nomination of a person or persons as external auditors of the Company;
- To report promptly to Bursa Malaysia Securities Berhad (BMSB) matters reported by the Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of BMSB; and
- To perform such other functions as may be agreed to by the Committee and the Board.

Risk Management

The Company, following the take-over from ExxonMobil, had maintained the same risk management evaluations and risk management tools to manage identified risks. In 2015, the Committee followed up on the review of the Company's risk management in light of changed circumstances in the market place. The revised identified key risk areas are:

Key Risk	Type of Risk
Price volatility (both crude and petroleum products)	- Financial
Foreign Exchange volatility	- Financial
Major incident rendering facilities inoperable	- Operations/Integrity/Financial
Shipping incident/Oil Spill	- Operations/Environment/Reputation
Supply disruption/over dependence on few suppliers	- Operations
Changes in Government policy	- Regulatory
Competition	- Market environment
Product Quality	- Operations/Integrity
Regulatory compliance	- Regulatory/Reputation/Operations
IT Systems/Infrastructure outage	- Operations

For each of these identified risks, there are risk management tools and existing business continuity programs in place. In 2016, as part of the on-going review by the Committee of the Company's risk management exercise, the Committee would review the risk management tools employed to mitigate identified key risks. This would also include a review of the Company's Business Continuity Plans for key divisions within the Company.

This Statement is made in accordance with the Board of Directors' resolution dated February 25, 2016.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROLS

The Board recognizes that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. These risks include financial, foreign exchange, legal compliance, crude and product supply, distribution, environment issues, industrial requirements, safety, and managing the human resources of the Company. To this end, the Board had previously put in place a management integrity system that over the years, proved to be highly effective. Following the take-over by Petron Corporation, these management integrity systems continue to be adhered to by the Company to ensure seamless continuity of the business and safe operations. The Company has since made necessary changes as was deemed necessary to enhance and localize its systems. Recognizing that the parent company, Petron Corporation, too is in downstream oil and gas business and the management integrity systems it has in place, the Company has opted to align or adopt, where possible, best practices from Petron Corporation's own systems. In this regard, the Company continues to receive technical advice and support from Petron Corporation via its technical advisers based in Malaysia. The Company also receives technical support via formal arrangements with ExxonMobil.

The Board recognizes that risks can be mitigated and even eliminated by having in place an effective system on internal controls. Key elements of the Company's internal controls include:

1. The alignment or adoption of best practices from Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that includes the overall control framework, the required control checks and the required assessment on the system's effectiveness;
2. A defined organizational structure with clear lines of accountability and delegation of authority;
3. Reviews of the control including internal audits have been performed periodically and financial audits are subject to annual review by external auditors. The results are reviewed with various levels of Management and any major concerns are raised to Senior Management and the Board Audit & Risk Management Committee;
4. Key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of the Code of Conduct. These include requirements to comply with all applicable laws and regulations. The revised Code of Conduct has been communicated to employees, vendors and contractors. Effective from year 2014, trainings are provided periodically to employees, vendors and contractors. Employees will further be required to confirm annually that they have read the Code of Conduct and understand the requirements;
5. An integrity management system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organization's system of controls; and
6. The effective lines of communications within the Management with regular Management Committee meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROLS

It should be noted that systems of internal controls and risk management are designed to manage or mitigate rather than eliminate the risk of failure to achieve business objectives, and any system can only provide reasonable and not absolute assurance against material misstatement or loss.

In 2014, the Company embarked on a program to revisit its risk management by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise pointed out that the key risks previously identified continue to be the main risk that must be managed even today. The Company, recognizing this is an evolving endeavor, will embark on an exercise to revisit the risk management preparations that are already in place with intent to update the tools and assessment, where necessary.

As part of the Risk Management review, all Business Continuity Plans of the Company will be periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective.

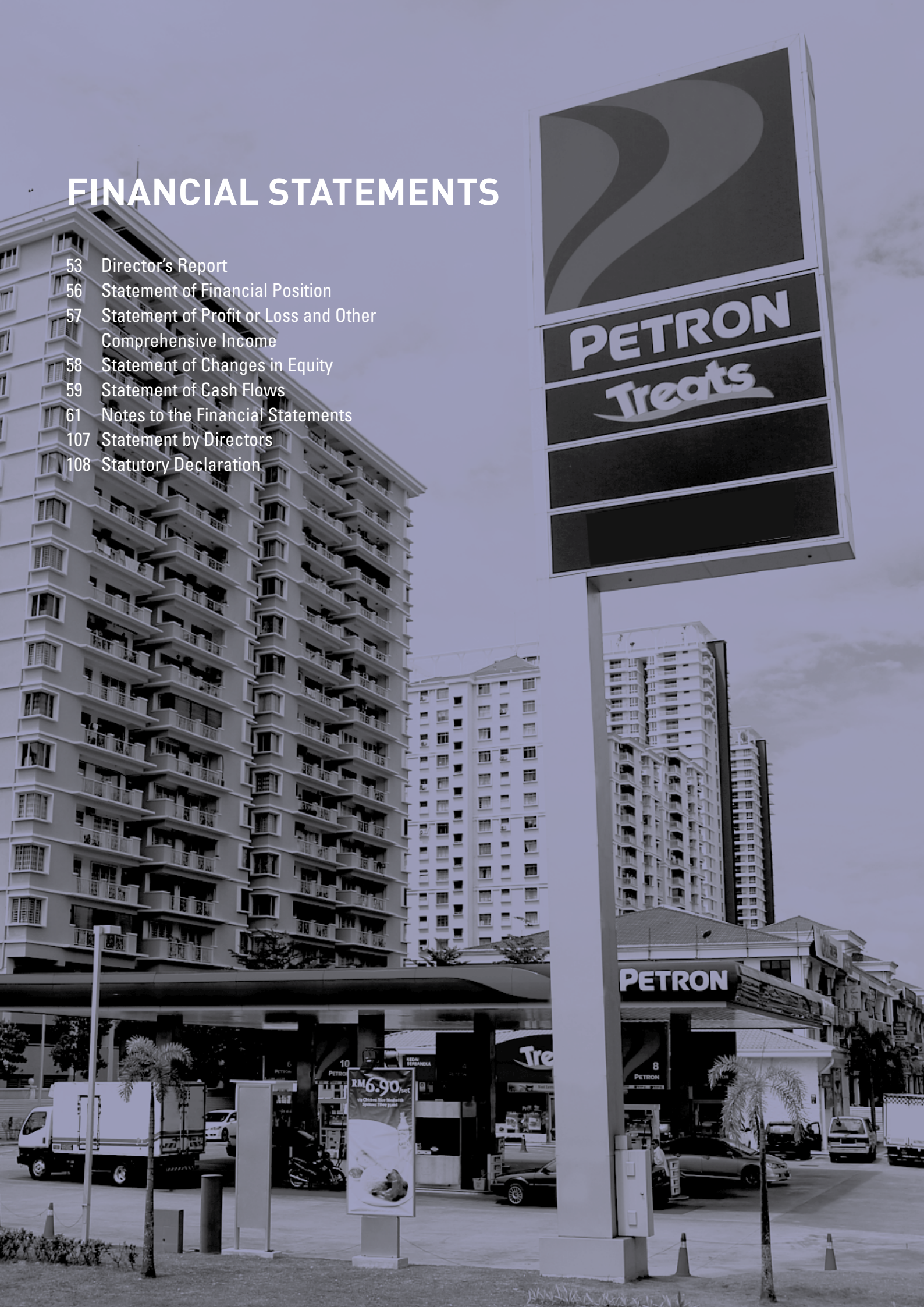
Key control-related matters introduced to further enhance the Company's Corporate Governance include:

1. Timely reporting of any changes to the prevalent delegation of authority that has been approved by the Board and ensuring that amendments are approved by the Board in a timely manner so as to not cause any disruption to the business;
2. Quarterly notice to all Directors and staff on Insider Trading and risks as well as restrictions on trading in the Company's shares during a 'closed period';
3. Quarterly reporting to the Board Audit & Risk Management Committee of all Trade Accounts Receivables that are written off; and
4. Full review with the Board Audit & Risk Management Committee on a quarterly basis of all inter-company transactions to ensure compliance with laws pertaining to Related Party Transactions.

The Board has received assurance from the CEO and CFO that the Company's risk management and internal control system (for financial year ended 2015 and up to the date of this Report) is operating adequately and effectively, in all material respects.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2015.

Principal activities

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Profit for the year	220,599

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, there has been no dividend paid in respect of the financial year ended 31 December 2014.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2015 is 20 sen per ordinary share totalling to RM54,000,000 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

Directors of the Company

Directors who served since the date of the last report are:

Y. Bhg. Dato' Zainal Abidin Putih
Y. Bhg. Dato' Zuraidah Atan
Mr. Ramon S. Ang
Ms. Aurora T. Calderon
Mr. Lubin B. Nepomuceno
Ms. Chua See Hua
Mr. Ferdinand K. Constantino
Y. Bhg. Tan Sri Abdul Halim Ali (resigned with effect from 16 June 2015)

DIRECTORS' REPORT

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2015
	At 1.1.2015	Acquired	Sold	
Common shares of ultimate holding company (San Miguel Corporation)				
Ramon S. Ang	757,873	-	-	757,873
Aurora T. Calderon	22,600	-	-	22,600
Lubin B. Nepomuceno	7	-	-	7
Ferdinand K. Constantino	147,500	173,689	(133,689)	187,500
Common shares of intermediate holding company (Petron Corporation)				
Ramon S. Ang	1,000	-	-	1,000
Aurora T. Calderon	1,000	-	-	1,000
Lubin B. Nepomuceno	5,000	-	-	5,000

None of the other Directors holding office at 31 December 2015 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ramon S. Ang
Chairman

Kuala Lumpur

Date: 25 February 2016

.....
Lubin B. Nepomuceno
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000 Restated
Assets			
Cash and cash equivalents	3	159,274	354,668
Derivative financial assets	4	10,991	19,507
Trade and other receivables	5	315,910	400,266
Inventories	6	499,842	442,385
Other current assets	7	93,560	21,826
Tax recoverable		-	32,149
Total current assets		1,079,577	1,270,801
Property, plant and equipment	8	977,502	981,591
Long-term assets	9	209,877	183,767
Intangible assets - software	10	3,828	6,483
Total non-current assets		1,191,207	1,171,841
Total assets		2,270,784	2,442,642
Liabilities			
Loans and borrowings	11	385,696	790,000
Trade and other payables	12	615,477	608,168
Derivative financial liabilities	4	11,495	834
Retirement benefits obligations	13	5,809	4,452
Taxation		7,274	400
Total current liabilities		1,025,751	1,403,854
Loans and borrowings	11	158,126	198,276
Retirement benefits obligations	13	41,290	42,304
Deferred tax liabilities	14	64,111	38,185
Total non-current liabilities		263,527	278,765
Total liabilities		1,289,278	1,682,619
Equity			
Share capital		135,000	135,000
Reserves		8,000	8,000
Retained earnings		838,506	617,023
Total equity	15	981,506	760,023
Total equity and liabilities		2,270,784	2,442,642

The notes on pages 61 to 105 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000 Restated
Revenue	16	8,150,293	10,901,829
Cost of sales		(7,616,679)	(10,772,398)
Gross profit		533,614	129,431
Other operating income		57,512	62,938
Other operating expenses		(214,433)	(197,622)
Administrative expenses		(18,753)	(17,636)
Results from operating activities		357,940	(22,889)
Other income		74,296	38,348
Other expenses		(78,933)	(29,282)
Finance income	17	1,042	1,037
Finance costs	18	(48,129)	(72,986)
Profit/(Loss) before tax	19	306,216	(85,772)
Tax (expense)/benefit	21	(85,617)	21,294
Profit/(Loss) for the year		220,599	(64,478)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	20	884	510
Other comprehensive income for the year, net of tax		884	510
Total comprehensive income/(loss) for the year		221,483	(63,968)
Basic earnings/(loss) per ordinary share (sen)	22	81.7	(23.9)

The notes on pages 61 to 105 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	----- Non-Distributable -----		Distributable	Total equity RM'000
		Share capital RM'000	Capital redemption reserves RM'000	Retained earnings RM'000	
At 1 January 2014		135,000	8,000	718,791	861,791
Remeasurement of defined benefit liability	20	-	-	510	510
Loss for the year		-	-	(64,478)	(64,478)
Total comprehensive loss for the year		-	-	(63,968)	(63,968)
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company	23	-	-	(37,800)	(37,800)
At 31 December 2014/1 January 2015		135,000	8,000	617,023	760,023
Remeasurement of defined benefit liability	20	-	-	884	884
Profit for the year		-	-	220,599	220,599
Total comprehensive income for the year		-	-	221,483	221,483
At 31 December 2015		135,000	8,000	838,506	981,506
		Note 15	Note 15		

The notes on pages 61 to 105 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Cash flows from operating activities			
Profit/(Loss) before tax		306,216	(85,772)
Adjustments for:			
Amortisation of intangible assets	10	2,655	2,655
Amortisation of long-term assets	9	20,285	20,823
Depreciation of property, plant and equipment	8	60,560	59,830
Finance costs	18	48,129	72,986
Finance income	17	(1,042)	(1,037)
Impairment loss on trade receivables		3	-
Gain on disposal of property, plant and equipment		(383)	(9,834)
Property, plant and equipment written off	8	8,440	3,628
Inventories write down	6	4,481	27,547
Retirement/Separation benefits cost		5,054	5,173
Unrealised foreign exchange (gain)/loss		(581)	302
Fair value loss/(gain) on derivatives		504	(18,673)
Operating profit before changes in working capital		454,321	77,628
Change in inventories		(61,938)	224,833
Change in long-term assets		213	(797)
Change in trade and other payables and other financial liabilities		(4,050)	(329,822)
Change in trade and other receivables and other financial assets		32,313	390,770
Cash generated from operations		420,859	362,612
Interest paid		(36,893)	(58,532)
Interest received		1,042	1,037
Real Property Gain Tax/Income Tax paid		(20,947)	(27)
Retirement/Separation benefits paid		(3,199)	(4,302)
Net cash from operating activities		360,862	300,788
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(65,328)	(99,604)
Payment for long-term assets	9	(46,608)	(4,337)
Proceeds from disposal of property, plant and equipment	8	800	10,094
Net cash used in investing activities		(111,136)	(93,847)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	Note	2015 RM'000	2014 RM'000
Cash flows from financing activities			
Proceeds from borrowings		-	90,000
Repayment of borrowings		(445,000)	(2,066)
Dividends paid to owners of the Company	23	-	(37,800)
Net cash (used in)/from financing activities		(445,000)	50,134
Net (decrease)/increase in cash and cash equivalents		(195,274)	257,075
Effect of exchange rate fluctuations on cash held		(120)	-
Cash and cash equivalents at 1 January		354,668	97,593
Cash and cash equivalents at 31 December	3	159,274	354,668

The notes on pages 61 to 105 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Petron Malaysia Refining & Marketing Bhd is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows:

Registered office/Principal place of business

Level 12A, Menara I & P Tower 1
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur

Principal place of business

Port Dickson Refinery
1 ½ mile, Jalan Pantai
71000 Port Dickson, Negeri Sembilan

The Company is principally engaged in the manufacturing and marketing of petroleum products in Peninsular Malaysia.

The immediate, intermediate, and ultimate holding companies during the financial year were Petron Oil & Gas International Sdn. Bhd. ("POGI"), Petron Corporation ("PCOR") and San Miguel Corporation ("SMC"). POGI was incorporated in Malaysia while PCOR and SMC were incorporated in the Philippines. The Directors regard SMC as its ultimate holding company.

The financial statements were authorised for issue by the Board of Directors on 25 February 2016.

1. Basis of preparation

1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 7, *Financial Instruments: Disclosures* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, Amendments to MFRS 127, Amendments to MFRS 128 and Amendments to MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

(i) **MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 13 – remeasurement of retirement benefits obligations.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

2.1 Joint arrangements

Joint arrangements are arrangements of which the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Company accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Company has rights only to the net assets of the arrangements. The Company accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2.2 Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to Ringgit Malaysia at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences on retranslation are recognised in profit or loss.

2.3 Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(2.9)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.3 Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

- Buildings and improvements 20-50 years
- Plant and equipment 10-33 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

2.5 Leased assets

(i) Finance leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease rentals.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.6 Intangible assets

Software cost

Software cost is measured at cost less any accumulated amortisation. Computer software costs are amortised on a straight-line basis over the estimated useful life of the software, which normally falls within a range of 5 to 7 years.

2.7 Inventories

Crude oil and petroleum product inventories are stated at the lower of cost and net realisable value. Cost includes all applicable purchase costs and production overheads and is determined on the first-in first-out (FIFO) basis. Materials and supplies are valued at cost, determined on a weighted average basis, and a deduction is made for obsolete and slow moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances and deposits with banks, which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments.

2.9 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.9 Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals were recognised.

2.10 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.10 Equity instruments (continued)

(ii) Distributions of assets to owners of the Company

The Company measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

2.11 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate.

(iii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary every three years using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.11 Employee benefits (continued)

(iii) Defined benefit plans (continued)

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.13 Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2.14 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.14 Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.16 Earnings per ordinary share

The Company presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period, adjusted for own shares held.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

2.17 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.18 Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.19 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. Cash and cash equivalents

	2015 RM'000	2014 RM'000
Deposits placed with a licensed bank	100,000	304,340
Cash and bank balances	59,274	50,328
	159,274	354,668

In 2014, there was a deposit placed with a licensed bank amounting to RM4,340,000 which was held in accordance with the sale and purchase agreement relating to the Company's purchase of a participating interest in Multi-Product Pipeline system and related distribution terminal facilities ("MPP"). During the year, the amount has been refunded to vendor for their real property gains taxes upon decision by the Inland Revenue Board.

4. Derivative financial assets/(liabilities)

	2015			2014		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	240,953	269	(539)	430,509	1,096	(362)
- Commodity swap	58,417	10,722	(10,956)	11,613	18,411	(472)
	299,370	10,991	(11,495)	442,122	19,507	(834)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currency of the Company. Most of the forward exchange contracts have maturities of less than 180 days after the end of the reporting period.

Commodity swap is used to mitigate crude and petroleum products price risks arising from volatile market fluctuations. All of the commodity derivative contracts have maturities of less than one year after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

5. Trade and other receivables

	2015 RM'000	2014 RM'000 Restated
Trade		
Trade receivables	132,081	122,097
Less: Individual impairment allowance	(512)	(1,585)
	131,569	120,512
Amounts due from related companies	68,029	109,929
	199,598	230,441
Non-trade		
Amounts due from related companies	-	330
Subsidies receivables	73,146	107,098
Other receivables	43,166	62,397
	116,312	169,825
	315,910	400,266

Related party balances

The trade balances due from related companies are subject to normal trade terms. The non-trade balances due from related companies are unsecured, interest free and are repayable on demand.

Subsidies receivables

Subsidies receivables are amounts due from the Government of Malaysia under the Automatic Pricing Mechanism. On average, these receivables are collected within 2 to 3 months.

6. Inventories

	2015 RM'000	2014 RM'000 Restated
Crude oil	194,629	158,399
Petroleum products	295,528	274,436
Materials and supplies	9,685	9,550
	499,842	442,385
Recognised in profit or loss:		
Inventories recognised as cost of sales	7,608,507	10,778,046
Write down to net realisable value, the write down is included in cost of sales	4,481	27,547

NOTES TO THE FINANCIAL STATEMENTS

7. Other current assets

	2015 RM'000	2014 RM'000
GST input	72,693	-
Prepayments	20,867	21,826
	93,560	21,826

8. Property, plant and equipment

	Freehold Land RM'000	Leasehold Land RM'000	Buildings and improvements RM'000	Plant and equipment RM'000	Capital project in-progress RM'000	Total RM'000
Cost						
At 1 January 2014	200,044	106,938	435,601	1,148,725	76,159	1,967,467
Additions	-	-	12,525	17,495	69,584	99,604
Disposal	(206)	(75)	-	(7,124)	-	(7,405)
Write off	-	-	(979)	(7,995)	-	(8,974)
Reclassifications	-	-	9,950	15,443	(25,393)	-
At 31 December 2014/ 1 January 2015	199,838	106,863	457,097	1,166,544	120,350	2,050,692
Additions	-	-	2,576	21,259	41,493	65,328
Disposal	-	(417)	-	-	-	(417)
Write off	-	-	(334)	(3,515)	(7,325)	(11,174)
Reclassifications	-	-	4,217	52,638	(56,855)	-
At 31 December 2015	199,838	106,446	463,556	1,236,926	97,663	2,104,429
Accumulated depreciation						
At 1 January 2014	-	18,811	238,126	764,825	-	1,021,762
Depreciation during the year	-	1,185	18,425	40,220	-	59,830
Disposal	-	(37)	-	(7,108)	-	(7,145)
Write off	-	-	(234)	(5,112)	-	(5,346)
At 31 December 2014/ 1 January 2015	-	19,959	256,317	792,825	-	1,069,101
Depreciation during the year	-	1,183	17,977	41,400	-	60,560
Write off	-	-	(179)	(2,555)	-	(2,734)
At 31 December 2015	-	21,142	274,115	831,670	-	1,126,927
Carrying amounts						
At 1 January 2014	200,044	88,127	197,475	383,900	76,159	945,705
At 31 December 2014/ 1 January 2015	199,838	86,904	200,780	373,719	120,350	981,591
At 31 December 2015	199,838	85,304	189,441	405,256	97,663	977,502

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Included in the above property, plant and equipment is the net book value for the Company's 20% participating interest in the joint venture assets of MPP amounting to RM81,268,000 (2014: RM86,877,000).

During the financial year, the Company wrote off RM7,325,000 consisting mainly of capital expenditures on the study and engineering design in relation to the Euro 4M compliance for diesel since the Government subsequently changed the mandate for diesel to conform with the Euro 5M specifications by 2020 (2014: RM3,628,000 mainly due to rebranding of retail stations and replacements of equipment).

Included in carrying amounts of leasehold land is the net book value for leasehold land with unexpired lease period of more than 50 years amounting to RM81,087,000 (2014: RM82,570,000).

9. Long-term assets

	2015 RM'000	2014 RM'000
Prepaid lease rentals	144,890	153,058
Deposits	2,395	2,459
Marketing assistance to dealers	16,826	20,413
Others	45,766	7,837
	209,877	183,767
The movements in the long-term assets are as follows:		
At 1 January	183,767	199,456
Addition	46,608	4,337
Amortisation	(20,285)	(20,823)
Reclassification from short-term	82	1,034
Others	(295)	(237)
	209,877	183,767

Prepaid lease rentals

Included in the above prepaid lease rentals are leasehold land amounting to RM1,320,000 (2014: RM1,336,000) for the Company's 20% participating interest in the joint venture assets of MPP.

Marketing assistance to dealer

The marketing assistance programme is provided to selected dealers to assist in the construction of the service stations in order for the Company to gain access to locations and generate future revenue streams and is amortised over the period of the agreements.

NOTES TO THE FINANCIAL STATEMENTS

9. Long-term assets (continued)

Others

Included in others are deferred charges on major turnaround cost amounting to RM34,680,000 (2014: RM864,000) which will be amortised over 3 years.

10. Intangible assets - software

	Total RM'000
Cost	
At 1 January 2014/1 January 2015/31 December 2015	24,294
Accumulated amortisation	
At 1 January 2014	15,156
Amortisation during the year	2,655
At 31 December 2014/1 January 2015	17,811
Amortisation during the year	2,655
At 31 December 2015	20,466
Carrying amounts	
At 1 January 2014	9,138
At 31 December 2014/1 January 2015	6,483
At 31 December 2015	3,828

11. Loans and borrowings

	2015 RM'000	2014 RM'000
Current		
Revolving credit - unsecured	345,000	790,000
Long-term loan - unsecured	40,696	-
	385,696	790,000
Non-current		
Long-term loan - unsecured	158,126	198,276
	543,822	988,276

(a) In April 2012, the Company entered into a 5-year Working Capital Facility Agreement of up to RM900 million with several financial institutions for working capital requirements. Borrowings are normally settled within 30 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS

11. Loans and borrowings (continued)

- (b) In 2014, the Company entered into two 5-year Term Loan Facility Agreement of RM100 million each with Malayan Banking Berhad and CIMB Bank Berhad.

12. Trade and other payables

	2015 RM'000	2014 RM'000 Restated
Current		
- Trade		
Trade payables	482,690	490,438
- Non-trade		
Other payables	24,866	32,057
Accrued expenses	42,989	20,751
Duties and tax payables	64,838	60,503
MPP deposit	-	4,394
Amounts due to related companies	94	25
	615,477	608,168

Related party balances

The non-trade balances due to related companies are unsecured, interest free and are repayable on demand.

Accrued expenses

Accrued expenses are generally those of a non-trade nature that arose from transactions other than the purchase of crude and petroleum products.

13. Retirement benefits obligations

	2015 RM'000	2014 RM'000
Retirement benefits obligations		
- Current	5,809	4,452
- Non-current	41,290	42,304
	47,099	46,756

NOTES TO THE FINANCIAL STATEMENTS

13. Retirement benefits obligations (continued)

The Company operates an unfunded defined benefit retirement plan for its regular national employees. The plan assumptions are reappraised by an independent actuary every three years. The latest actuarial appraisal was carried out in December 2013.

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Movement in retirement benefits obligations

The following table shows reconciliation from the opening balance to the closing balance for the retirement benefits obligations and its components:

	2015 RM'000	2014 RM'000
Balance at 1 January	46,756	46,604
Included in profit or loss		
Current service cost	2,612	2,568
Interest cost	2,442	2,430
	5,054	4,998
Included in other comprehensive income		
Remeasurement of retirement benefits obligations		
Actuarial gain arising from:		
- Experience adjustments	(1,163)	(719)
Other		
Benefits paid	(3,199)	(4,127)
Benefits payable	(349)	-
	(4,711)	(4,846)
Balance at 31 December	47,099	46,756

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	2015 %	2014 %
Discount rate	5.5	5.5
Future salary growth	6.0	6.0

NOTES TO THE FINANCIAL STATEMENTS

13. Retirement benefits obligations (continued)

Actuarial assumptions (continued)

At 31 December 2015, the weighted average duration of the defined benefit obligation was 7.42 years (2014: 7.51 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Retirement benefits obligations			
	2015		2014	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Discount rate (1% movement)	(3,097)	3,530	(3,120)	3,554
Future salary growth (1% movement)	4,971	(4,412)	4,462	(3,979)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

14. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	19,574	(69,933)	(69,771)	(69,933)	(50,197)
Retirement benefits obligations	4,704	4,703	-	-	4,704	4,703
Tax loss carry-forwards	-	4,945	-	-	-	4,945
Other items	1,257	7,032	(139)	(4,668)	1,118	2,364
Net tax assets/(liabilities)	5,961	36,254	(70,072)	(74,439)	(64,111)	(38,185)

NOTES TO THE FINANCIAL STATEMENTS

14. Deferred tax liabilities (continued)

Movement in temporary differences during the year

	At 1.1.2014	Recognised in profit or loss (Note 21)	Recognised directly in equity (Note 21)	At 31.12.2014/ 1.1.2015	Recognised in profit or loss (Note 21)	Recognised directly in equity (Note 21)	At 31.12.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(71,241)	21,044	-	(50,197)	(19,736)	-	(69,933)
Retirement benefits obligations	4,922	(10)	(209)	4,703	280	(279)	4,704
Tax loss carry- forwards	4,448	497	-	4,945	(4,945)	-	-
Other items	1,742	622	-	2,364	(1,246)	-	1,118
Net tax liabilities	(60,129)	22,153	(209)	(38,185)	(25,647)	(279)	(64,111)

15. Capital and reserves

Share capital

	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '000
Authorised:				
Ordinary shares of RM0.50 each	150,000	300,000	150,000	300,000
Issued and fully paid shares:				
Ordinary shares of RM0.50 each	135,000	270,000	135,000	270,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Capital redemption reserves

The Company's capital redemption reserve arose from redemption of 8,000,000 preference shares in 1986.

NOTES TO THE FINANCIAL STATEMENTS

16. Revenue

	2015 RM'000	2014 RM'000 Restated
Sales to related companies	1,780,594	2,417,700
Third party sales	6,364,473	8,478,580
	8,145,067	10,896,280
Credit card merchandise fees	(55)	(21)
Other revenues and rebates	4,976	5,263
Allied business rental	305	307
	8,150,293	10,901,829

Turnover represents the value of goods sold inclusive of subsidies and net of Government duties and taxes.

17. Finance income

	2015 RM'000	2014 RM'000
Interest income of financial assets that are not at fair value through profit or loss:		
- Advances to related companies	631	823
- Other finance income	411	214
	1,042	1,037

18. Finance costs

	2015 RM'000	2014 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Loans	36,072	60,847
- Other finance costs	12,057	12,139
	48,129	72,986

NOTES TO THE FINANCIAL STATEMENTS

19. Profit/(Loss) before tax

	2015 RM'000	2014 RM'000
Profit/(Loss) before tax is arrived at after charging:		
Audit fees	341	341
Foreign exchange		
- Realised foreign exchange loss	52,387	28,980
- Unrealised foreign exchange loss	-	302
Hire of plant and machinery	261	293
Impairment loss on trade receivables	3	-
Intangible assets		
- Amortisation	2,655	2,655
Long-term assets		
- Amortisation		
- Prepaid lease rentals	10,634	11,185
- Marketing assistance to dealers	3,587	3,879
- Others	6,064	5,759
Personnel expenses (including key management personnel)		
- Contributions to Employees' Provident Fund	6,115	5,609
- Wages, salaries and others	52,312	48,079
- Retirement/Separation benefits	5,054	5,173
Property, plant and equipment		
- Depreciation	60,560	59,830
- Written off	8,440	3,628
Write down of inventories	4,481	27,547
Rental expense in respect of property	3,646	3,770
Repair and maintenance expense	35,866	29,470
Trucking cost	44,982	50,695
and after crediting:		
Unrealised foreign exchange gain	581	-
Gain on derivatives	117,389	125,586
Licence fees	36,331	35,558
Gain on disposal of property, plant and equipment	383	9,834

NOTES TO THE FINANCIAL STATEMENTS

20. Other comprehensive income

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2015			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	1,163	(279)	884
2014			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	719	(209)	510

21. Tax expense/(benefit)

Recognised in profit or loss

	2015 RM'000	2014 RM'000
Current tax expense		
- Current year	59,971	-
- Prior year	-	432
Real Property Gain Tax		
- Current year	-	427
- Prior year	(1)	-
Total current tax recognised in profit or loss	59,970	859
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	25,472	(16,064)
Under/(Over) provision in prior year	175	(6,089)
Total deferred tax recognised in profit or loss	25,647	(22,153)
Total income tax expense/(benefit)	85,617	(21,294)

NOTES TO THE FINANCIAL STATEMENTS

21. Tax expense/(benefit) (continued)

Reconciliation of tax expense/(benefit)

	2015 RM'000	2014 RM'000
Profit/(Loss) before tax	306,216	(85,772)
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	76,554	(21,443)
Reduction in tax rate	(1,144)	(1,545)
Non-deductible expenses	10,147	9,069
Tax-exempt income	(114)	(2,145)
Real Property Gain Tax	-	427
Under/(Over) provided in prior years	174	(5,657)
	85,617	(21,294)
Income tax recognised directly in equity		
Retirement benefits obligations		
- Deferred tax	279	209

22. Earnings/(Loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2015 was based on the profit/(loss) attributable to ordinary shareholders and the number of ordinary shares in issue, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

	2015	2014
Net profit/(loss) attributable to ordinary shareholders (RM'000)	220,599	(64,478)
Number of ordinary share units in issue ('000)	270,000	270,000
Basic earnings/(loss) per share unit (sen)	81.7	(23.9)

Diluted EPS is not presented as the Company has no potential shares or other instruments with dilutive effects.

NOTES TO THE FINANCIAL STATEMENTS

23. Dividends

Dividend recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2014			
Final 2013 ordinary (single tier)	14	37,800	25 June 2014

After the end of the reporting period the following dividend was proposed by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2015 ordinary (single tier)	20	54,000

24. Operating segments

The Company is organised as one integrated business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors. A breakdown of the revenues by geographical location is as follows:

	2015 RM'000	2014 RM'000 Restated
Foreign	713,689	1,099,774
Domestic	7,436,604	9,802,055
	8,150,293	10,901,829

NOTES TO THE FINANCIAL STATEMENTS

24. Operating segments (continued)

Major customers

The following are major customers with revenue equal or more than 10% of the Company's total revenue:

	2015 RM'000	2014 RM'000
Related party - Company A	1,780,594	2,417,700

Other than this major customer, there is no individual customer contributing to equal or more than 10% of the Company's total revenue for the current and previous financial year.

All non-current assets of the Company are located in Malaysia.

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL"):
 - Held for trading ("HFT"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
2015			
Financial assets			
Trade and other receivables	315,910	315,910	-
Cash and cash equivalents	159,274	159,274	-
Derivative financial assets	10,991	-	10,991
	486,176	475,184	10,991
Financial liabilities			
Loans and borrowings	(543,822)	(543,822)	-
Trade and other payables	(615,477)	(615,477)	-
Derivative financial liabilities	(11,495)	-	(11,495)
	(1,170,794)	(1,159,299)	(11,495)

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
2014 Restated			
Financial assets			
Trade and other receivables	400,266	400,266	-
Cash and cash equivalents	354,668	354,668	-
Derivative financial assets	19,507	-	19,507
	774,441	754,934	19,507
Financial liabilities			
Loans and borrowings	(988,276)	(988,276)	-
Trade and other payables	(608,168)	(608,168)	-
Derivative financial liabilities	(834)	-	(834)
	(1,597,278)	(1,596,444)	(834)

25.2 Net gains and losses arising from financial instruments

	2015 RM'000	2014 RM'000 Restated
Net gains/(losses) on:		
Fair value through profit or loss:		
- Held for trading	117,389	125,586
Financial liabilities measured at amortised cost		
- Finance costs	(48,129)	(72,986)
- Unrealised foreign exchange gain/(loss)	514	(506)
- Realised foreign exchange loss	(95,036)	(34,016)
	(142,651)	(107,508)
Loans and receivables		
- Finance income	1,042	1,037
- Impairment loss on trade receivables	(3)	-
- Unrealised foreign exchange gain	67	204
- Realised foreign exchange gain	42,649	5,036
	43,755	6,277
	18,493	24,355

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than its credit term, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2015 RM'000	2014 RM'000
Domestic	53,809	41,775
Foreign	77,760	78,737
	131,569	120,512

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The Company maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2015			
Not past due	131,183	-	131,183
Past due 1 - 90 days	181	-	181
Past due 91 - 180 days	196	-	196
Past due 181 - 365 days	-	-	-
Past due more than 365 days	521	(512)	9
	132,081	(512)	131,569
2014			
Not past due	118,370	-	118,370
Past due 1 - 90 days	2,133	-	2,133
Past due 91 - 180 days	-	-	-
Past due 181 - 365 days	-	-	-
Past due more than 365 days	1,594	(1,585)	9
	122,097	(1,585)	120,512

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Company monitors the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2015 RM'000	2014 RM'000
At 1 January	1,585	1,733
Allowance made during the year	3	-
Write off	(1,076)	(148)
At 31 December	512	1,585

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to related companies. The Company monitors the results of the related companies regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to related companies which are wholly owned by the immediate holding company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the related companies are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents, bank facilities and inter-company financing arrangement deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The Company reviews its revolving credit facilities on a periodic basis. In addition, the Company has subscribed to the fund pooling arrangements made available by its affiliates, Petron Fuel International Sdn. Bhd. and Petron Oil Malaysia Sdn. Bhd.. This inter-company financing arrangement allows the Company to either draw cash from the pool in the event of a shortfall, or place cash into the pool in the event of excess, at competitive interest rates on a daily basis.

The Company continues to optimise the mix of its borrowing facilities to maximise financing flexibility whilst reducing financing cost. These facilities are short-term in nature unless opportunities arise to secure favourable longer term borrowing facilities.

Liquidity risk may also arise if debtors are not able to settle obligations to the Company within the normal credit term. To manage this risk, the Company periodically assesses the financial viability of debtors and may require certain debtors to provide bank guarantees or other security.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2015						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	615,477	-	615,477	615,477	-	-
Loans and borrowings						
Revolving credit	345,000	6.2%	366,425	366,425	-	-
Term loan	198,822	5.3%	221,311	51,418	73,097	96,796
	1,159,299		1,203,213	1,033,320	73,097	96,796
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	270	-	240,953	240,953	-	-
Inflow	-	-	(240,683)	(240,683)	-	-
Commodity swap (gross settled):						
Outflow	234	-	58,417	58,417	-	-
Inflow	-	-	(58,183)	(58,183)	-	-
	1,159,803		1,203,717	1,033,824	73,097	96,796

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2014						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	608,168	-	608,168	608,168	-	-
Loans and borrowings						
Revolving credit	790,000	6.1%	838,190	838,190	-	-
Term loan	198,276	5.2%	229,656	9,860	50,699	169,097
	1,596,444		1,676,014	1,456,218	50,699	169,097
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	430,509	430,509	-	-
Inflow	(734)	-	(431,243)	(431,243)	-	-
Commodity swap (gross settled):						
Outflow	-	-	11,613	11,613	-	-
Inflow	(17,939)	-	(29,553)	(29,553)	-	-
	1,577,771		1,657,340	1,437,544	50,699	169,097

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices, will affect the Company's financial position or cash flows.

25.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD") and Euro ("EUR").

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. All of the forward contracts have maturities of less than 180 days after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
	USD	EUR	SGD
	RM'000	RM'000	RM'000
2015			
Cash and cash equivalents	36,393	-	-
Trade and other receivables	77,760	-	-
Trade and other payables	(361,522)	-	(173)
Net exposure	(247,369)	-	(173)
2014			
Cash and cash equivalents	41,802	-	-
Trade and other receivables	78,738	-	-
Trade and other payables	(441,049)	(6)	(488)
Net exposure	(320,509)	(6)	(488)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from USD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2014:10%) strengthening of the RM against USD at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2015	2014
	RM'000	RM'000
		Restated
USD	18,553	24,038

A 10% (2014:10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, practice and processes for managing the risk

Interest rate exposure arising from the Company's borrowings is managed through monitoring and reviewing interest rate changes in the market and its impact to the Company's financial performance. The Company does not use derivative financial instruments to hedge its debt obligations.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2015 RM'000	2014 RM'000
Floating rate instruments		
Financial liabilities	(543,822)	(988,276)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

The borrowings are generally based on floating interest rates unless opportunities arise for competitive fixed rate financing. The Company's financing arrangements are typically tracked against the Kuala Lumpur Interbank Offered Rate ("KLIBOR"). The impact of a 10 basis point ("bp") change in interest rate affecting the Company's borrowings would not be material to the Company's financial statements.

A change of 10 basis points in interest rates at the end of the reporting period would have increased/(decreased) after tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	2015		2014	
	10 bp increase RM'000	10 bp decrease RM'000	10 bp increase RM'000	10 bp decrease RM'000
Floating rate instruments	(7)	7	(25)	25

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Financial assets										
Forward exchange contracts	-	269	-	269	-	-	-	-	269	269
Commodity swap	-	10,722	-	10,722	-	-	-	-	10,722	10,722
	-	10,991	-	10,991	-	-	-	-	10,991	10,991
Financial liabilities										
Forward exchange contracts	-	(539)	-	(539)	-	-	-	-	(539)	(539)
Commodity swap	-	(10,956)	-	(10,956)	-	-	-	-	(10,956)	(10,956)
Loans and borrowings	-	-	-	-	-	-	(543,822)	(543,822)	(543,822)	(543,822)
	-	(11,495)	-	(11,495)	-	-	(543,822)	(543,822)	(555,317)	(555,317)

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014										
Financial assets										
Forward exchange contracts	-	1,096	-	1,096	-	-	-	-	1,096	1,096
Commodity swap	-	18,411	-	18,411	-	-	-	-	18,411	18,411
	-	19,507	-	19,507	-	-	-	-	19,507	19,507
Financial liabilities										
Forward exchange contracts	-	(362)	-	(362)	-	-	-	-	(362)	(362)
Commodity swap	-	(472)	-	(472)	-	-	-	-	(472)	(472)
Loans and borrowings	-	-	-	-	-	-	(988,276)	(988,276)	(988,276)	(988,276)
	-	(834)	-	(834)	-	-	(988,276)	(988,276)	(989,110)	(989,110)

NOTES TO THE FINANCIAL STATEMENTS

25. Financial instruments (continued)

25.7 Fair value information (continued)

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2014: no transfer in either directions).

Level 3 fair value

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the key unobservable input used in the valuation model.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Loans and borrowings	Discounted cash flows using a rate based on the current market rate of borrowings of the Company at the reporting date

NOTES TO THE FINANCIAL STATEMENTS

26. Capital management

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital via carrying amount of equity as stated in statement of financial position.

The debt-to-equity ratios as at 31 December 2015 and at 31 December 2014 were as follows:

	2015 RM'000	2014 RM'000
Total loans and borrowings (Note 11)	543,822	988,276
Total equity	981,506	760,023
Debt-to-equity ratios	0.55	1.30

There was no change in the Company's approach to capital management during the financial year.

27. Operating leases

Leases as lessee

	2015 RM'000	2014 RM'000 Restated
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	763	1,529
Between one and five years	2,312	2,579
More than five years	3,478	2,614
	6,553	6,722

The Company leases land under operating leases. The leases typically run for a period of 3 to 10 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

28. Capital and other commitments

	2015 RM'000	2014 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	76,864	159,847
Contracted but not provided for	40,129	48,927
	116,993	208,774

Included in the above are non-contracted and contracted for the joint venture assets of the MPP amounting to RM Nil and RM3,885,000 respectively (2014: non-contracted: RM1,053,000; contracted: RM12,031,000).

29. Other proceeding

An action was filed against the Company by its former transportation contractor, Konsortium Lord Saberkat Sdn. Bhd. ("KLSSB"), in 2014. The claim against the Company amounted to approximately RM41,091,000. The High Court in Kuala Lumpur, on 30 June 2015, delivered Judgment on the lawsuit and dismissed most of KLSSB's claims but nevertheless ruled that a sum of RM3,387,000 was payable by the Company to KLSSB including interest on the said sum (at the rate of 5% per annum from the date of the filing of the Writ of Summons until the date of full and final settlement) and costs of RM15,000.

On 13 July 2015, in a clarification on the Judgment, the High Court ruled that an additional sum of RM352,000 to be part of the sum payable by the Company to KLSSB.

The Company filed a notice of appeal with the Court of Appeal on 21 July 2015 in relation to parts of the Judgment that were against the Company namely: (1) the sum of RM3,739,000 (inclusive of the RM352,000 per clarification on the Judgment by High Court), (2) interest on the said sum (at the rate of 5% per annum from the date of filing of the Writ of Summons until the date of full and final settlement) payable by the Company to KLSSB; and (3) costs of RM15,000 payable by Company to KLSSB.

Further, on 24 July 2015, KLSSB filed a notice of appeal with the Court of Appeal in relation to parts of the Judgment where most of KLSSB's claims were dismissed.

On 10 December 2015, the Court of Appeal held that all KLSSB's appeal was dismissed and the Company's appeal on 21 July 2015 was allowed. The Company was also awarded cost of RM30,000. Following the Court of Appeal's decision, KLSSB on 6 January 2016 filed a motion to seek leave to appeal to the Federal Court ("the Motion"). The Company has taken necessary steps to oppose the Motion. The Federal Court, on the 16 February 2016, set 16 May 2016 for case management in relation to the Motion pending the handing down of written judgment from the Court of Appeal.

NOTES TO THE FINANCIAL STATEMENTS

30. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding companies, significant investors, related companies and key management personnel.

Significant related party transactions

In the ordinary course of business, the Company undertakes transactions with these related parties which include the sales and purchases of products, which are carried out on commercial terms and conditions negotiated amongst the related parties, and the sharing of services and facilities at cost apportioned on a mutually agreed basis.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 5 and 12.

	2015 RM'000	2014 RM'000
Purchases of petroleum products from related companies:		
Petron Fuel International Sdn. Bhd.	1,013,435	1,401,627
Petron Oil (M) Sdn. Bhd.	490	-
Sales of petroleum products to a related company:		
Petron Fuel International Sdn. Bhd.	1,780,594	2,417,700
Sales of petroleum products to former related companies:		
Air Philippines Corporation	-	29
Philippines Airlines Inc.	-	837

NOTES TO THE FINANCIAL STATEMENTS

30. Related parties (continued)

Significant related party transactions (continued)

	2015 RM'000	2014 RM'000
Central management, shared facilities and services costs with related companies:		
Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd.		
Charged from:	72,028	62,692
Charged to:	1,608	1,638
Central management, shared facilities and services costs with intermediate holding company:		
Petron Corporation		
Charged from:	50	24
Key management personnel:		
<i>Non-Executive Directors</i>		
Fees	175	222
Other short-term employee benefits	92	89
	267	311

NOTES TO THE FINANCIAL STATEMENTS

31. Interest in joint operations

Details of the joint operations are as follows:

Name of joint operation	Other joint operation parties	Principal place of business	Principal activity	Percentage of ownership	
				2015	2014
Joint Venture Agreement for Multi-Product Pipeline and Distribution Terminal	Petronas Dagangan Berhad ("PDB") and Shell Malaysia Trading Sendirian Berhad ("SMTSB")	Port Dickson	Construct, own and operate a Multi-Product Pipeline ("MPP")	20%	20%
Joint Facilities Operating Agreement	Shell Refining Company ("Operator")	Port Dickson	Construction of the part of the facilities relating to the receipt and carriage of crude and feedstocks as common carrier pipeline facilities	50%	50%

32. Comparative figures

Certain comparative figures of the Company have been restated to conform with current year's presentation. The restatements do not have any material impact to the statement of profit or loss and other comprehensive income and statement of financial position. The effects are disclosed below:

	2014	
	As restated RM'000	As previously stated RM'000
Statement of profit or loss and other comprehensive income		
Revenue	10,901,829	10,901,029
Cost of sales	(10,772,398)	(10,771,598)
Gross profit	129,431	129,431
Other operating income	62,938	62,938
Other operating expenses	(197,622)	(197,650)
Administrative expenses	(17,636)	(17,608)
Results from operating activities	(22,889)	(22,889)

NOTES TO THE FINANCIAL STATEMENTS

32. Comparative figures (continued)

	2014	
	As restated RM'000	As previously stated RM'000
Statement of financial position		
Assets		
Cash and cash equivalents	354,668	354,668
Derivative financial assets	19,507	19,507
Trade and other receivables	400,266	422,092
Inventories	442,385	442,385
Other current assets	21,826	-
Tax recoverable	32,149	32,149
Total current assets	1,270,801	1,270,801

NOTES TO THE FINANCIAL STATEMENTS

33. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Company at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, is as follows:

	2015 RM'000	2014 RM'000
Total retained earnings of the Company		
- realised	902,036	636,836
- unrealised	(63,530)	(19,813)
Total retained earnings	838,506	617,023

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 56 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 on page 106 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ramon S. Ang

.....
Y. Bhg. Dato' Zainal Abidin Putih

Kuala Lumpur

Date: 25 February 2016

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Myrna C. Geronimo**, the officer primarily responsible for the financial management of Petron Malaysia Refining & Marketing Bhd, do solemnly and sincerely declare that the financial statements set out on pages 56 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 25 February 2016.

.....
Myrna C. Geronimo

Before me:

.....
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETRON MALAYSIA REFINING & MARKETING BHD
(COMPANY NO. 3927-V) (INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Petron Malaysia Refining & Marketing Bhd, which comprise the statement of financial position as at 31 December 2015, and the statements of profit and loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 105.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (continued)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 33 on page 106 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Ong Beng Seng

Approval Number: 2981/05/16(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 25 February 2016

INFORMATION ON SHAREHOLDINGS

As at 21 March 2016

Class of share : Ordinary Share Unit (RM0.50)

Voting right : One vote per share unit

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Units Held	% of Issued Capital
Less than 100	335	4.533	12,305	0.004
100 – 1,000	2,444	33.071	2,119,521	0.785
1,001 – 10,000	3,785	51.217	14,737,093	5.458
10,001 – 100,000	721	9.756	21,555,422	7.983
100,001 – 13,499,999	104	1.407	33,396,596	12.369
13,500,000 and above	1	0.013	198,179,063	73.399
	7,390	100.000	270,000,000	100.000

THIRTY LARGEST SHAREHOLDERS

As at 21 March 2016

Name	No. of Units Held	% of Issued Capital
1. MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399
2. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOCK CHENG (E-BMM)	2,260,000	0.837
3. HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	1,865,900	0.691
4. JOHAN ENTERPRISE SDN BHD	1,626,000	0.602
5. CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG)	1,385,000	0.512
6. TAN KAH HOCK	1,050,100	0.388
7. NEOH CHOO EE & COMPANY, SDN. BERHAD	1,000,000	0.370
8. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG PHEOW (MU006)	825,000	0.305
9. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT – HW FLEXI FUND (270519)	803,400	0.297
10. CIMSEC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	795,848	0.294

INFORMATION ON SHAREHOLDINGS

	Name	No. of Units Held	% of Issued Capital
11.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PHILLIP SECURITIES PTE LTD FOR MOHAMED BIN ABDULLAH ALHABSHEE	620,000	0.229
12.	GOH CHOON KIM	569,100	0.210
13.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND	560,300	0.207
14.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	558,800	0.206
15.	KUMPULAN WANG SIMPANAN GURU-GURU	539,200	0.199
16.	HLB NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR TAN HOCK CHENG	518,000	0.191
17.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	490,000	0.181
18.	HSBC NOMINEES (ASING) SDN BHD MORGAN STANLEY & CO. INTERNATIONAL PLC (FIRM A/C)	452,800	0.167
19.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (473163)	438,200	0.162
20.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE (A/C CLIENTS)	411,260	0.152
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR JOHN DEVARAJ SOLOMON (8103033)	389,700	0.144
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCEBERHAD (PAR-220082)	388,900	0.144
23.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR 1199 HEALTH CARE EMPLOYEES PENSION TRUST	378,200	0.140
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR LEE LAK CHYE @ LI CHOY HIN (E-IMO)	366,400	0.135
25.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AFFIN)	354,900	0.131
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHAI LEE LEE (MY2254)	340,000	0.125

INFORMATION ON SHAREHOLDINGS

	Name	No. of Units Held	% of Issued Capital
27.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND D297 FOR REGIME DE RENTES DU MOUVEMENT DESJARDINS	339,000	0.125
28.	LIM SOO HIAN	335,000	0.124
29.	NG KOK SING	322,300	0.119
30.	ELETECHNICS SDN BHD	300,000	0.111
		218,462,371	80.911

SUBSTANTIAL SHAREHOLDER

As at 21 March 2016

	Name	No. of Units Held	% of Issued Capital
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PETRON OIL & GAS INTERNATIONAL SDN BHD	198,179,063	73.399

TOP 10 PROPERTIES

AS AT 31 DECEMBER 2015

	Tenure	L.A. (sq m)	Description of properties	Acquisition date	Expiry date	Age	Net Book Value
FEDERAL TERRITORY							
PETRON East-West Link (PBL#302815) Lot 18113, Lebuhraya Hubungan Timur-Barat, 56000 Wilayah Persekutuan	F	3,185	Service station	01.01.2004		12	6,486,803
PETRON Sg. Besi West Highway (PBL#101086) Lot 26494, Mile 6.5 Jalan Sg. Besi, 57100 Wilayah Persekutuan	F	5,669	Service station	01.05.1995		21	6,031,279
PETRON MRR2 Melati (PBL#305552) PT8085, SPK. Jalan Taman Melati, 53100 Wilayah Persekutuan	F	2,992	Service station	01.01.2008		8	7,324,542
SELANGOR							
PETRON Puncak Jalil (PBL#304551) Lot PT 62357, Taman Puncak Jalil, 47100 Puncak Jalil, Selangor	L	4,047	Service station	06.01.2004	09.06.2103	12	6,113,387
PETRON Jalan Kebun (PBL#101211) Mile 3 Jalan Kebun, 41400 Klang, Selangor	L	2,787	Service station	01.12.1996	30.06.2099	20	5,438,706
PETRON Bukit Sentosa (PBL#101464) Lot 4844, Jalan Orkid 2B, Seksyen BS2, Bukit Sentosa, 48300 Rawang, Selangor	F	3,035	Service station	22.07.1997		19	5,375,769
PENANG							
Bagan Luar Terminal Lot 95-125, 128, Lot 2327-2338, Section 4 Butterworth, Seberang Perai Utara, Pulau Pinang	F	44,024	Storage and distribution terminal	Revalued in 1982		56	11,485,812
PETRON Jalan Jelawat (PBL#303054) Lot 5371, Jalan Jelawat, Mukim 1, 13700 Seberang Jaya, Pulau Pinang	L	3,693	Service station	01.07.2003	18.08.2073	13	6,406,004
NEGERI SEMBILAN							
Port Dickson Refinery Lot 2645 & 2647, (Lot 2646 & 2648), 1926-1930, 1593-1595, 1805, 1838, 1803, 1836, 1757, 2278 & 1222, Mukim Port Dickson	F	1,631,970	Refinery, storage and distribution terminal	Revalued in 1982		56	10,489,355
MPP and KVDT	L	784,000	MPP/KVDT facilities	01.03.2001	01.02.2100	15	19,638,483

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Seventh Annual General Meeting of the Company will be held at the BALLROOM, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA, 60000 KUALA LUMPUR, on Thursday, June 2, 2016 at 2:00p.m., for the purpose of transacting the following business:

1. To receive the Company's Audited Accounts for the year ended December 31, 2015 and the Directors' and Auditors' Reports thereon.
2. To approve the declaration of final dividend of 20 sen per ordinary share unit of 50 sen each under single tier system for the year ended December 31, 2015. (Resolution 1)
3. (a) To re-elect Mr. Ferdinand K. Constantino, retiring in accordance to Articles 104 and 105 of the Company's Articles of Association; (Resolution 2)
(b) To re-elect Ms. Chua See Hua, retiring in accordance to Articles 104 and 105 of the Company's Articles of Association. (Resolution 3)
4. To appoint Y. Bhg. Dato' Zainal Abidin Putih, who has exceeded the age of seventy (70) years, as an Independent Director in compliance with Section 129(6) of the Companies Act 1965 and Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. (Resolution 4)
5. To approve the payment of Directors' Fees for the Independent Directors. (Resolution 5)
6. To appoint Messrs. KPMG as Auditors of the Company and to authorize the Directors to determine their remuneration. (Resolution 6)
7. To transact any other ordinary business of the Company.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that :

For purpose of attendance at the Annual General Meeting: shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 25 May 2016.

For purposes of dividend entitlement: shareholders who are registered in the Register of Members and Record of Depositors as at the close of business on 10 June 2016, shall be entitled to the final dividend which, if approved by the shareholders at the Annual General Meeting, will be paid on 24 June 2016.

A shareholder shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor's Securities Account before 4:00p.m. on Friday June 10, 2016 in respect of transfers;
- (b) Securities deposited into the Depositor's Securities Account before 12:30p.m. on Wednesday June 8, 2016 in respect of securities which are exempted from mandatory deposit; and
- (c) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,
Manoj Devadasan (LS0006885)
Company Secretary
Kuala Lumpur
28 April 2016

Note:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, that hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at Tricor Investor Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the Annual General Meeting.

On the day of the Annual General Meeting:

1. Registration counters (located outside the Ball Room at Sime Darby Convention Centre) will be opened from 11:15a.m. and will close at 2:15p.m.
2. Refreshments will be served at the same place from 11:15a.m to 2:15p.m.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors standing for election/re-election

- Mr. Ferdinand K. Constantino and Ms. Chua See Hua, retire by rotation and are eligible for re-election pursuant to Articles 104 and 105 of the Company's Articles of Association.
- Y. Bhg. Dato' Zainal Abidin Putih, age 70, is an Independent Director of the Company. As Y. Bhg. Dato' Zainal Abidin Putih has served on the Board for more than nine (9) years, in compliance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, he will retire. The Board is however desirous of appointing Y. Bhg. Dato' Zainal Abidin Putih for another term as an Independent Director. The Board is of the opinion that Y. Bhg. Dato' Zainal Abidin Putih, who is also the Chairman of the Board Audit & Risk Management Committee, has a wealth of experience and knowledge about the Company's business and the oil & gas industry and can greatly contribute to the Board.

Y. Bhg. Dato' Zainal Abidin Putih, having exceeded the age of seventy (70) years will also be elected pursuant to Section 129(6) of the Companies Act 1965. Pursuant to Section 129(6) of the Companies Act 1965, the resolution must obtain the approval of at least three-fourth of the members present and voting in person or by proxy.

- The Nominating Committee following its annual evaluation of the Board's performance, concluded that Mr. Ferdinand K. Constantino, Ms. Chua See Hua and Y. Bhg. Dato' Zainal Abidin Putih, in performing their duties as a Director, has met and/or exceeded expectations. The Board (based on representations by the Nominating Committee) recommends to the shareholders Mr. Ferdinand K. Constantino and Ms. Chua See Hua be re-elected to the board. Further, the Nominating Committee also recommended that Y. Bhg. Dato' Zainal Abidin Putih be elected to the Board as Independent Director for another one year term.

2. Mode of Voting

In line with the recommendation of the Malaysian Code on Corporate Governance 2012, and for the purpose of providing fair representation of votes based on shareholding, voting at the Annual General Meeting shall be by Poll.

3. Details of Directors standing for election/re-election

(i) Profiles

The profiles of the Directors standing for election/re-election are set out in pages 29 and 31 of the Annual Report.

(ii) Statement of shareholdings

None of the Directors standing for election/re-election holds shares in the Company.

(iii) Family relationship

None of the Directors standing for election/re-election have any family relationship with any Director and/or major shareholder of the Company.

(iv) Conflicts of Interest

None of the Directors standing for election/re-election have any conflicts of interest with the Company.

(v) Conviction for offences (excluding traffic offences)

None of the Directors standing for election/re-election has been convicted for offences within the past ten (10) years.



PROXY FORM

I/We _____ (Name of Company/Business/individual's full name
in Block Capitals (as per NRIC)), NRIC/Company No. _____ (new) _____ (old)
of _____ (full address)
being a member/members of the Company, hereby appoint _____ (full name of proxy)
NRIC/Company No. _____ (new) _____ (old)
of _____ (full address)

or failing which the Chairman of the Annual General Meeting as my/our Proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday June 2, 2016 at 2:00p.m. and at any adjournment thereof.

My/Our instruction to my/our proxy (on each Agenda Item as per the Notice of Meeting) are as follows:

Agenda Item		For	Against
1.	Receive Company's Audited Accounts	-NIL-	-NIL-
2.	Approve the declaration of dividend		
3.	(a) Re-elect Mr. Ferdinand K. Constantino		
	(b) Re-elect Ms. Chua See Hua		
4.	Appointment of Dato' Zainal Abidin Putih		
5.	Payment of Independent Directors' Fees for 2016		
6.	Appoint KPMG as Auditors and authorize the Directors to determine their remuneration		
7.	Any other business		

(Please indicate an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion)

Signature/Common Seal

Number of shares held : _____

Date : _____

Notes:

A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the Member. In the case of a corporation, the Proxy Form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which hold shares for multiple beneficiaries in one securities account ("Omnibus Account"), there is no limit on the number of proxies it may appoint in respect of such Omnibus Account. The instrument appointing a proxy must be deposited at the Share Registrar's office at **Tricor Investor Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia** not less than 48 hours before the time set for the meeting.

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AFFIX
STAMP
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The Share Registrar of Petron Malaysia Refining & Marketing Bhd

Tricor Investor Services Sdn Bhd (118401-V)

Unit 32-01, Level 32, Tower A, Vertical Business Suite,

Avenue 3, Bangsar South,

No. 8, Jalan Kerinchi,

59200 Kuala Lumpur, Malaysia

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www.petron.com.my

PETRON MALAYSIA REFINING & MARKETING BHD
(Company No. 3927-V)

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